

THE HISTORY
OF
BRITISH COMMERCE

AND OF THE
ECONOMIC PROGRESS OF THE BRITISH NATION

1763-1878

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WITH GRAPHIC TABLES

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TO THE
BARONESS BURDETT COUTTS.

MADAM,

Among those who first contributed to raise British Commerce to the position it has since acquired was one whose name your Ladyship so worthily upholds.

Of representatives of old British Merchants and Bankers there are but few remaining; and I value the honour of dedicating this work to you, especially since your munificence has given to the acquisition of wealth a high moral import, and to British philanthropy increasing renown and lustre.

Your Ladyship's humble servant,

LEONE LEVI.

PREFACE

TO

THE SECOND EDITION.



THE PRESENT EDITION extends the 'History of British Commerce' to the end of the year 1878. The whole work has been revised, several new chapters have been added, and, as a distinct feature, it contains a decennial summary of commercial and economic progress, the text of some important treaties, and the statistics and other documents belonging thereto, at the end of the respective chapters. Several graphic tables are also given illustrative of banking, commerce, and finance, of great practical value. Otherwise, the plan of the history remains unchanged. It is not a simple chronological record of facts, but an historical account of the principal events by which commerce has been affected, and of the influences which commerce has in turn exercised on the economic condition of the country.

LEONE LEVI.

5, CROWN OFFICE ROW, TEMPLE,
February, 1880.

PREFACE

TO

THE FIRST EDITION.



NO HISTORY OF BRITISH COMMERCE for the last one hundred years has yet appeared, though the facts connected with it are replete with interest and instruction. The large quarto volumes of Macpherson and Anderson are chronological records of commercial transactions, rather than histories, and they end just when commerce began to expand into any real importance. Tooke's 'History of Prices,' valuable as it is, is intended mainly to illustrate the effects of the circulation on prices. And though every history of Great Britain gives so far a history of British commerce, the inventions and discoveries which have so largely promoted productive industry; the political and economic events which have aided or hindered commerce and navigation; free trade, with its attendant blessings; those commercial and monetary crises which have so shaken public confidence; the introduction of railways, steam-packets, and telegraphs, which have imparted fresh life to international intercourse; and the discovery of gold in California and Australia, have histories of their own, as well as a place in the history of Great Britain. Scarcely any of the reforms, moreover, which have completely altered the aspect of national industries, have been introduced without much misgiving and great opposition. In most cases, errors and prejudices had to be encountered, and many difficulties more or less formidable to be surmounted. A record of the arguments by which such victories have been gained, and of the work done by those noble champions

of progress to whose labour, skill, and wisdom the nation is indebted, must prove for ever valuable.

Though dealing directly with British commerce, occasional glances are taken of the state of commerce in foreign countries, especially at the commencement and end of the period embraced by our history. Economic laws are not limited in their operation to time or place, nor are the conquests of science the exclusive property of any single state. We can advantageously, therefore, study the lessons of experience of this and other nations; and should the following pages ever meet the eye of foreign statesmen or finance ministers, they will see in them that Britain has attained her present elevated position, not by restricting and entangling trade and industry, not by thwarting the laws of nature, but by removing every barrier, and by opening every avenue to the legitimate exercise of personal energies. Nay, more; they will see that, for the last fifty years, the principal efforts of the British Legislature have been directed to giving the greatest possible freedom to commerce, and to ensuring the greatest possible safety in mercantile transactions.

Ample are the materials at hand for a history of British commerce. The reports of parliamentary committees and royal commissions, always full and exhaustive; Hansard's 'Debates,' re-echoing the state of public opinion at the commencement and end of every agitation; the works already quoted, and many more of a sectional character, yet of wide reach and solid value; the 'Economist,' rich in economic facts; and the reports of secretaries of embassies and of British consuls in foreign parts—these and many other important works, to which I am greatly indebted, have furnished the threads which I have attempted to weave together.

A history of British commerce in so limited a compass can offer very little more than the main outlines of a vast subject. Monographs of special trades could only be given here and there. The revolution which has taken place in the value of many commodities has been simply hinted at, and but little room was left for any pictorial representation of the wonders of British commerce

among civilised and uncivilised states. Every effort has, however, been made to attain accuracy in data and soundness in the conclusions drawn. In most cases the authorities quoted are given, and these are generally the highest and most trustworthy extant. As an account of one of the most important interests in the empire, as a repertory of facts for the financier and economist, as a manual for the British trader all the world over, and as a class book for students of political and commercial economics, I trust the 'History of British Commerce' may prove of practical utility.

LEONE LEVI.

January 1872

CONTENTS.

INTRODUCTION	PAGE [15]
------------------------	--------------

PART I.

1763—1792

FROM THE END OF THE SEVEN YEARS' WAR TO THE
FRENCH REVOLUTION.

CHAPTER

I. THE FOUNDATION OF BRITISH PRODUCTIVE INDUSTRY	3
II DEVELOPMENT OF NATIONAL RESOURCES	16
III PROGRESS OF FOREIGN TRADE	26
IV THE AMERICAN REVOLUTION AND WAR	37
V. MR. PITT'S PEACE ADMINISTRATION	51

PART II.

1793—1820.

FROM THE FRENCH REVOLUTION TO THE RESUMPTION OF
CASH PAYMENTS

I. THE FRENCH REVOLUTION AND ITS EFFECTS ON BANKING AND CURRENCY	67
II. STATE OF FINANCE DURING THE WAR OF THE FRENCH REVOLU- TION	82
III. CURRENCY AND BANKING IN FRANCE	94
IV. THE ORDERS IN COUNCIL AND THE BERLIN AND MILAN DECREES	101
V. THE FOREIGN EXCHANGES AND THE BULLION COMMITTEE . . .	121
VI RESUMPTION OF CASH PAYMENTS	132
VII. COMMERCIAL AND ECONOMIC PROGRESS, 1801-1821	139

PART III.

1820—1840.

FROM THE INAUGURATION OF PEACE TO THE INTRODUCTION
OF POSTAL REFORMS

CHAPTER	PAGE
I THE PETITION OF LONDON MERCHANTS . . .	149
II. MR HUSKISSON'S COMMERCIAL REFORMS . . .	159
III. RELATIONS OF MASTERS AND SERVANTS . . .	174
IV THE COMMERCIAL CRISIS OF 1825-6 . . .	181
V. RAILWAYS AND SHIPPING . . .	191
VI. COMMERCIAL AND ECONOMIC PROGRESS, 1821-1831 . . .	198
VII FINANCE AND BANKING . . .	203
VIII CORN LAWS . . .	211
IX. THE COMMERCIAL CRISES OF 1836 AND 1839 . . .	219
X AMERICAN BANKING . . .	226
XI RELATIONS WITH INDIA AND CHINA. THE OPIUM WAR . . .	232
XII THE COLONIAL TRADE . . .	242
XIII POSTAL REFORMS . . .	249
XIV. COMMERCIAL AND ECONOMIC PROGRESS, 1830-1840 . . .	252

PART IV.

1840—1860.

FROM SIR ROBERT PEEL'S COMMERCIAL REFORMS TO
THE COMMERCIAL CRISIS OF 1857.

I. SIR ROBERT PEEL'S COMMERCIAL REFORMS . . .	259
II. THE BANK CHARTER ACTS . . .	272
III. SCOTCH AND IRISH BANKING . . .	282
IV. REPEAL OF THE CORN AND NAVIGATION LAWS . . .	292
V. RAILWAY ENTERPRISE . . .	302
VI. THE COMMERCIAL CRISIS OF 1847 . . .	308
VII. COMMERCIAL AND ECONOMIC PROGRESS, 1840-1850 . . .	316
VIII. INTERNATIONAL EXHIBITION . . .	321

CHAPTER	PAGE
IX. THE GOLD DISCOVERIES IN CALIFORNIA AND AUSTRALIA .	326
X. CHAMBERS OF COMMERCE AND COMMERCIAL LAWS	333
XI. PARTNERSHIPS AND JOINT STOCK COMPANIES . .	337
XII. PATENTS, COPYRIGHTS, AND TRADE MARKS .	347
XIII. COMMERCIAL LAW REFORMS	356
XIV. MR GLADSTONE'S BUDGET .	364
XV. THE RUSSIAN WAR . .	371
XVI. TRADE WITH CHINA	378
XVII. TRADE WITH JAPAN AND SIAM .	389
XVIII. THE COMMERCIAL CRISIS OF 1857 . .	400
XIX. COMMERCIAL AND ECONOMIC PROGRESS, 1850-1860	407

PART V.

1860-1878

FROM THE CONCLUSION OF THE TREATY OF COMMERCE WITH FRANCE TO THE STATE OF BRITISH COMMERCE, IN 1878.

I. TREATIES OF COMMERCE	417
THE ASSOCIATED CHAMBERS OF COMMERCE AND COMMERCIAL OPINION	434
III. CIVIL WAR IN THE UNITED STATES AND ITS INFLUENCE ON BRITISH COMMERCE	442
IV. THE ALABAMA DISPUTE	447
V. THE COMMERCIAL CRISIS OF 1866	461
VI. INTERNATIONAL WEIGHTS, MEASURES, AND COINS	473
VII. THE SUEZ CANAL	482
VIII. COMMERCIAL AND ECONOMIC PROGRESS, 1860-1870	488
IX. REVIVAL AND DEPRESSION OF TRADE	494
X. WORK AND WAGES	503
XI. COMPARATIVE PROGRESS OF COMMERCIAL NATIONS . . .	508
XII. COMMERCIAL RELATIONS WITH FOREIGN COUNTRIES	521
XIII. BRITISH INDUSTRY	531
XIV. STATE OF BRITISH COMMERCE.	540
XV. COMMERCIAL AND ECONOMIC PROGRESS, 1870-1878 . .	548
XVI. INCREASE OF WEALTH	553

GRAPHIC TABLES.

	PAGES
TABLE A—IMPORTS AND EXPORTS, 1760–1820	26–27
B.—HIGHEST AND LOWEST PRICES OF 3 PER CENT CONSOLS, 1860–1878	72–73
C—PUBLIC INCOME AND EXPENDITURE, 1760–1878	90–91
D.—PRICES OF WHEAT, 1760–1878	140–141
E.—PROPORTIONAL VARIATION OF PRICES, 1782–1820	140–141
F—SAILING AND STEAM SHIPPING, 1840–1878	196–197
G—OPERATION OF THE BANK CHARTER ACT, 1844–1878	310–311
H.—IMPORTS AND EXPORTS, 1821–1878	500–501
I—POPULATION AND WEALTH.—INCOME PER HEAD IN THE COUNTIES OF ENGLAND IN PROPORTION TO POPULATION, 1814–15	552–553
• J—DITTO DITTO DITTO 1876–77	552–553

A P P E N D I X.

A—PROGRESS OF POPULATION AND WEALTH	558
B.—BRITISH EXPORTS—DECLARED VALUE OF BRITISH AND IRISH PRO- DUCE EXPORTED TO VARIOUS FOREIGN COUNTRIES AND BRITISH POSSESSIONS IN 1840, 1850, 1860, 1870, 1878	560
C—COURSE OF EXCHANGE—LONDON ON PARIS, 1825–1878	562
D—TREATIES OF COMMERCE AND NAVIGATION BETWEEN GREAT BRITAIN AND FOREIGN COUNTRIES IN FORCE ON JULY 31, 1879	563

INTRODUCTION.

WHILST the Italians were vigorously pursuing their trade in India and Europe, and Spain was renowned for her manufactures; whilst the Hanse merchants were extending their factories, and Portuguese navigators were bent upon maritime discoveries; whilst the Dutch were struggling for independence, and France was planting the seeds of her industries; England was only known as possessing a few articles of commerce of great value. Her wools and her metals were eagerly sought by foreign traders, but she had no ships of her own to carry them abroad. She had many raw materials, but she produced no manufactures for exportation.

Nor was her policy respecting foreign trade the most wise. The chief concern of the legislature in those days seemed to be to prevent foreign nations doing with English produce what, after all, the English could not do themselves. Again and again the export of wool was prohibited, or was hindered by prohibitory duties. But the prohibition was ill suited to the practice of appointing the Staple to be held, now at Bruges, now at Antwerp, and now at Calais, to which merchants of the staple were privileged; nor could it be maintained whilst licenses were constantly given for a consideration to foreign merchants to buy as much wool as they found necessary for their manufactures.

The people regarded the introduction of foreigners with the utmost jealousy. They resented their competition, they grudged their profits and their advantages. The guilds would not admit them as members, and it was hard for the poor strangers to establish a footing in England, even although Magna Charta had long before declared that all merchants shall have safety in coming to

or going out of England, and in remaining and travelling through it, by land or water, for buying or selling, free from any grievous imposition. Anyhow, whatever the opposition of cities and corporations, the nation was benefited by the foreign merchants.

Thankful, indeed, might England have been for the Lombards, who brought hither money and merchandise, banking and insurance; for the Flemings, who, driven by intestine dissension, found refuge on British soil, and became the founders of the woollen manufacture; and for the Huguenots, who brought with them the silk manufacture. Jealousy for foreign skill! Fear of foreign competition! There is a universality of genius, which it is folly to ignore. Open the door to its resources, and national wealth will the more prosper. After the Lombards, the French, and the Flemings, the Hanse merchants came and settled themselves in their Steelyard. And they, too, possessed a power of enterprise, an extent of knowledge, a familiarity with continental trading, which the English did not possess.

But a new era advanced. The discovery of the American continent by Columbus, and of a maritime route to India by Vasco da Gama, altered the course and character of commerce. Till then trade was essentially inland, thenceforth its most conspicuous triumphs were to be on the ocean. Till then, the Mediterranean was the centre of international trading. From thenceforth the tendency of trade was towards the countries bordering on the Atlantic. What saving of time, what economy of expense in the commerce with India, what simplicity and certainty in every commercial transaction, did these discoveries produce.

And what encouragement did a success so marvellous offer to further maritime discoveries. It was not long, indeed, before England followed the lead of Spain and Portugal. John Cabot and his sons went in quest of land to North America; Drake went to circumnavigate the globe; Chancellor sailed up the White Sea to Russia; Willoughby went on his ill-fated voyage in search of a north-eastern passage to India; Sir Walter Raleigh explored Virginia; the Merchant Adventurers pushed their adventures to Spain and Portugal; and English ships began to be seen in the

Levant. Meanwhile, English trade enlarged its sphere, English bravery at sea became most conspicuous, and English industry advanced apace. . . .

But as the people began to be conscious of their power, they fidgeted at the shackles of monopoly, which their Sovereigns granted with unsparing hand. It was hard for the bulk of English traders to be shut out from nearly every industry by privileges and concessions conceded to the few. And harder still, that when they made remonstrances against the abuses, Queen Elizabeth caused it to be signified 'that she hoped her dutiful and loving subjects would not take away her prerogative, which is the choicest flower in her garden, and the principal pearl in her crown and diadem.' We need not wonder that when King James followed in the same course, and exhausted the patience of the people, Parliament interfered, by enacting that all grants for monopolies should be revoked and forbidden for all time to come.

Seldom, however, nobler deeds, deeds pregnant with more mighty results, were accomplished, than in the last days of the House of Tudor, and during the reign of the Stuarts. Then it was that Gresham ennobled commerce by his sumptuousness and wisdom. Then it was that England stretched her colonial power, and that a company of English merchants began to trade in India, and founded there an empire. Then it was that the Pilgrim Fathers, smarting under the thralldom of religious persecution, crossed the ocean, and planted the germ of the great republic of the West. Then it was that England began boldly to confront herself with both the Hanse and the Dutch.

Vigorous, bold, energetic, as the people were, their principles of commercial policy were unsound. They did not know the true source of wealth, or the best method for promoting its increase and diffusion. Jealous of the Dutch, annoyed by the presence of their ships in British waters, proud of their colonies, prone to rival other nations, and especially anxious of becoming the carriers of the world, the English people sought to attain these objects by a Navigation Law, which prohibited the transport of any merchandise outward or homeward except in British ships ;

restricted the trade with the English plantations solely to British subjects; placed the British fisheries in the sole hands of British seamen; and prescribed that British ships should be navigated by no other than British subjects. The Navigation Laws, the supposed palladium of British supremacy on the sea, afforded doubtless considerable stimulus to navigation; but it was at the expense of commerce, which they thwarted, and of the colonies, whose resources they crippled. Erroneous in an economic aspect, they were still more injurious in a political, since they provoked the animosities of other maritime states, and forced them to a retaliatory policy.

As time rolled on, the mercantile nations of the Middle Ages one by one fell behind in their rank. Italy was no longer the mistress of the Indian trade; Holland lost her former greatness; the Hanse League became dismembered; Spain, degraded by her Inquisition, became lethargic in character, powerless in action; Portugal was no longer ambitious to make maritime discoveries; and France became the victim of weak and intolerant rulers. But all the while English life was being stirred up to the very core by the events which led, first to the Reformation, next to the Commonwealth, and finally to the change of dynasty from the House of Stuart to the House of Hanover. Whilst other States fell into a state of torpor and inactivity, England rose to a new life and vigour.

The union with Scotland, the incorporation with Ireland, the extension of the Colonies, the success of the East India Company, the establishment of the Bank of England, the introduction of manufactures, the increase of wealth, all tended to embolden the British nation to commercial enterprise, and to secure their own absolute superiority. Their commercial legislation continued indeed restrictive, and offered impediments rather than encouragements to their industry. But strong in their assertion of right, yet ever tempered by counsel and patience in the method of achieving permanent progress, whether political or social, the British nation saw one by one the hindrances in their way removed, a sounder system adopted, and British commerce placed in a condition of safe and enduring progress.

The literature of commerce comprises works of great practical value. For its general principles, the student will necessarily turn to the most celebrated works on political economy, especially those of Adam Smith and John Stuart Mill, Ricardo, M'Culloch, Thorold Rogers, Jevons, Cairnes and Bagehot. On banking, Gilbert's Works, Macleod's History, and Arthur Crump's Manual are valuable. For general information on trade and navigation there is no work so full as M'Culloch's Dictionary, and for facts and data relating to prices and currency, there is Tooke and Newmarch's History. Of special treatises there are many, such as Goschen on the Foreign Exchanges, Lord Overstone's Tracts, Francis's History of the Bank of England, Laing's Theory of Business, and Marshall's Economics of Industry. For information relating to the different commercial crises, and the operation of the Banking Laws, the student must consult the reports of committees of both Houses of Parliament in 1832, 1840, 1848, and 1857. Porter's Progress of the Nation shows the influence of commerce on the increase of wealth. The Statistical Abstracts of the United Kingdom, the Colonies, and foreign countries, will keep the student *au courant* with the present condition of commerce at home and abroad. If Cobden is gone, his Speeches, published by the Cobden Club, will always furnish the most unanswerable arguments in favour of the great principle of freedom of trade and industry. Generally, the Reports of Her Majesty's Secretaries of Embassy and Legation on the manufactures, commerce, &c., of the countries in which they reside are replete with valuable information. And, annually, *The Economist* gives the results of the commercial and financial history for the year, which may always be consulted with advantage.

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PART I.

1763-1792.

FROM THE END OF THE SEVEN YEARS' WAR
TO THE
FRENCH REVOLUTION.

CHAPTER I. THE FOUNDATION OF BRITISH PRODUCTIVE INDUSTRY

- „ II. DEVELOPMENT OF NATIONAL RESOURCES.
 - „ III. PROGRESS OF FOREIGN TRADE.
 - „ IV THE AMERICAN REVOLUTION AND WAR
 - „ V MR PITT'S PEACE ADMINISTRATION
- STATISTICS OF TRADE AND FINANCE, 1763-1792

HISTORY OF BRITISH COMMERCE.

CHAPTER I.

THE FOUNDATION OF BRITISH PRODUCTIVE INDUSTRY.

War and its Results—State of England—The Cotton Manufacture—Opposition to Machinery—State of the Woollen Manufacture.—The Silk Manufacture and French Competition—The Linen Industry—Iron and Coal.—The Earthenware Industry—The Steam Engine—Progress of Chemical Science—The Society of Arts, and the Royal Academy.—Foundation of the Royal Exchange and Gresham College.

ABOUT one hundred years ago, England concluded another of those wars which she waged so frequently, in days now happily gone by, and which, too often, left behind only mingled feelings of gratification and disappointment. Glory, ‘the fair child of peril,’ is but a phantom which vanishes at the touch; ‘like glowworms, afar off shine bright, but, looked too near, have neither heat nor light.’ Miserable is that nation which is deceived by its attractions. British influence and power seemed, indeed, safely established over the whole of North America; France was dislodged from Canada, Spain was shorn of her best colonies. The British colonists were masters of their position. But, however great its achievements, however dazzling its exploits, whatever lustre it may throw on national arms, war always imposes burdens and sacrifices which curb the industries of a nation, and destroy the very vitals of a state. And we need not be surprised if, with increasing taxes and an accumulating debt,¹ one is apt speedily to forget the joys of

¹ The cost of the Seven Years’ War, 1756–1763, to the United Kingdom is estimated at 82,623,738*l*. The public debt of Great Britain and Ireland, which in 1756 was 74,575,025*l*., rose in 1763 to 132,716,049*l*. See *Return of Net Public Income and Expenditure from 1688 to 1869* (House of Commons Paper, 366 of 1869), part ii. pp. 708, 802.

victory or the gains of conquest. Nor were the economic results of the war promising or satisfactory. A boundless field was, certainly, open for purposes of colonisation and investment. The vast prairies of America offered scope enough for the surplus energies and active forces of a country whose boundaries nature has permanently fixed, and whose resources were but imperfectly known or developed; and many there were ready to neglect their possessions at home for a portion of wilderness beyond the Atlantic. But England was not overcrowded with people; ² she had not much capital to spare for investment in regions so distant; and, whatever might be the prospect of future and permanent advantage, it was more than counterbalanced by the difficulty and expense of defending the extensive territories now added to the Empire.³

Though, politically, England had by this time, and especially after the success of the Seven Years' War, become a first power in Europe, economically she had as yet acquired no absolute supremacy. Her industries had accomplished none of their prodigies. Manchester was not glorying in her tall and ever-smoking chimneys. An inland town of no pretensions for beauty, and at some distance from the sea, she consumed but small quantities of cotton to work into fustians, vermilions, and dimities. To London her manufacturers went for the raw material from Cyprus and Smyrna, and thither they returned their goods for exportation. Liverpool ⁴ had scarcely any of her glorious docks; the stately barks from America had not yet found their way to her harbour. She had but an insignificant trade, a large portion of which consisted in the wretched traffic of slaves from Africa to the West Indies. Alas that it was so profitable a trade! Leeds and Bradford were not very conspicuous either for trade or manufacture. Even London, the only place of real importance in the kingdom, which then monopolised a large portion of the foreign trade of the country,⁵

² In 1750, as computed from the registers of baptisms, burials, and marriages, the population of England was stated as 6,517,000. In 1763 the population would probably have reached 7,000,000—Preface to *Census Enumeration*, Abstract, for 1841

³ The acquisitions included Canada West, Dominica, Grenada, St. Vincent, and Tobago.

⁴ In 1773 the population of Liverpool was ascertained to be 34,000. She possessed only three floating docks, a tolerably-sized basin, and three graving docks. The gross receipt of customs in 1775 was 274,000*l.*, and in 1775 eighty-one ships of 9,200 tons were cleared from Liverpool for the African or Slave Trade. In 1775 there was only one letter-carrier for all Liverpool, and the mail-bags were carried in and out of the town on horseback.

⁵ London was early a large emporium of trade. William Fitz-Stephens, giving an account of it in the time of Henry II, said.—

Arabia's gold, Sabez' spice and incense,
Scythia's keen weapons, and the oil of palm
From Babylon's deep soil, Nile's precious gems,
China's bright shining silks, and Gallic wines,
Norway's warm peltry, and the Russian sables,
All here abound.

had not a tithe of the shipping and commerce which now enrich the banks of the Thames. In size she was little more than what was left by the Romans—‘the city within the walls.’ Her population was probably half a million only. There was then but one bridge connecting London and Southwark. The Bank of England was but a small building flanked by a church.⁶ The Royal Exchange was one rebuilt after the destruction of that built by Sir Thomas Gresham, which was again destroyed by fire in 1838. Lloyd’s was still a coffee-house at the corner of Abchurch Lane. There was no Stock Exchange,⁷ and not a single dock. The port was blocked up by a fleet of merchantmen, and the quays heaped with bales, boxes, bags, and barrels in the greatest possible confusion. Scarcely one, indeed, of the great institutions and buildings which constitute modern London was in existence one hundred years ago.

What England possessed then, as she does now, was a geographical situation the most favourable for purposes of maritime commerce, in close proximity to the continent of Europe, and bordering on the ocean, the great open highway to America; mineral riches of enormous value; and, above all, a people of sturdy race, the Anglo-Saxon, distinguished for an innate sentiment of independence and right, for energy of character and aptitude for work, for capacity for material conquests, and courage and tact as colonisers and discoverers. With advantages such as these, can we wonder that England succeeded, with a rapidity almost unexampled in history, in acquiring for herself a position of the highest eminence in commerce and navigation?

Of all British industries, the cotton⁸ was as yet probably the

⁶ The first stone of the new building in Threadneedle Street was laid on August 3, 1732, and business was first transacted there on June 5, 1734.

⁷ The business of stockbrokers and of jobbers in the public funds was transacted in the Rotunda at the Bank of England and at rooms in the Stock Exchange Coffee House in Threadneedle Street. The first stone of the new building in Capel Court was laid in May 1801, and the new Stock Exchange was opened in March 1802, with a list of about 500 subscribers.

⁸ Cotton is certainly not a new article. All warm climates within a limited zone, especially countries in the vicinities of the sea, and with a soil dry and sandy, produce cotton. From time immemorial cotton has been grown in Hindustan, China, Persia, Egypt, Candia, and Sicily, and, when South America was discovered, the natives were found growing cotton. The Patagonians bound their hair with cotton threads, and in Mexico the people wore cotton clothing of remarkable beauty. Yet, as it has been well said, cotton could only become an article of trade to those countries which were able by their industries to manufacture it into a beautiful and durable material at moderate prices. In ancient times, probably as early as the eighth century, India furnished Europe with her muslin, so called from Musul in Mesopotamia. The Assyrians brought cotton manufactures into Europe, together with their silks from China, their carpets from India, and their spices from the East. But, with all this, up to and during the Middle Ages, cotton never seemed to have constituted the ordinary clothing of the people. In England the consumption of cotton was confined to very small quantities, principally used for candle-wicks, and nearly the whole of the cotton imported came from the Continent. Though as far back as 1328 the Flemings, settling in Manchester, laid the basis of the British

least conspicuous. Cotton did not enter into the common dress of the people. It was too dear for general use. But what marvellous transformation occurred in the use of that textile, the result of the big thoughts and extraordinary ingenuity of a few mechanicians, the far-famed Lewis Paul,⁹ Lawrence Earnshaw, Hargreaves, Arkwright,¹⁰ Crompton, and Peel!¹¹ How much each of these individually contributed towards the full development of the cotton machinery it would be difficult to say. 'The law of continuity, or rather of gradual progress,' said Lord Brougham, 'governs all human approaches towards perfection. The limited nature of man's faculties precludes the possibility of his ever reaching at once the utmost excellence of which they are capable. Survey the whole circle of the sciences, and trace the history of our progress in each, you will find this to be the universal rule.'¹² Think not that Black and Priestley, Bacon and Adam Smith, Cuvier and Watt, were respectively the unaided discoverers of the theory of latent heat and aeriform fluids, of the inductive system and economic science, of fossil osteology and the power of steam. Even Newton, though far in advance of all others in mathematical and experimental science, was preceded by Cavalleri, Roberval, Fermat, and Shooten, who came as near as possible to the discovery of the differential calculus. Be it as it may, whatever be the share respectively taken by the great builders of the cotton manufacture, it is to the inventors of the spinning-jenny and the carding-machine, and to the makers of the water-frame and the mule, that we are indebted for the fact that cotton-spinning almost in a moment, as by magic, ceased to be a domestic manufacture, and became almost entirely the product of machinery. To them it is that we owe the factory system with its attendant advantages—economy of power, division of labour, and concentration of skill and superintendence; and to them, too, we are beholden for that

woollen manufacture in what was called 'Manchester Cotton,' it was not till the middle of the seventeenth century that cotton, wool, fustians, dimities, and other articles began to be exported from this country to the Continent. As late as the accession of George III no fabric consisting entirely of cotton was made, and it was only by the operation of those wonderful inventions which suddenly performed so great a revolution, that cotton acquired the present prominent position.

⁹ Lewis Paul's patent for a new-invented machine for the better opening and dressing of wool is dated May 26, 1733, for the new machine for the spinning of wool and cotton into thread, yarn, or worsted, June 24, 1748; for carding of wool and cotton, August 30, 1758, and for a new-invented machine for the spinning of wool and cotton, June 29, 1758.

¹⁰ Arkwright's patents for a spinning machine, July 3, 1769, for spinning, drawing, and twisting cotton, June 12, 1770, for machinery for the preparation of fibrous materials for spinning, December 16, 1775.

¹¹ Robert Peel's patent for a method of dressing, carding, slubbing, roving, and spinning cotton was dated December 16, 1775.

¹² Brougham's address on the opening of the Newton Monument at Grantham, 1857.

extraordinary change in the fortunes of Lancashire, which thenceforth threw aside her agricultural garb and almost pastoral simplicity to assume the more active and stirring occupations of industry and manufactures.

The principal actors in this great revolution were humble operatives, working alone without status or patronage, scarcely conscious themselves of the value of a work which would place their names in the very forefront of the industrial progress of Britain. Alas that they should have been so ill-requited for the magnificent boon they were conferring on the nation and on the world! But it has always been so with the pioneers of progress, the glorious martyrs of science. As soon as it became known that a machine was invented which would work more expeditiously, and produce goods more economically, than any human hands could ever achieve, extreme jealousy was excited among the workers against such an innovation. The house of Kay was entered into, and every machine it contained was knocked to pieces. The Blackburn spinners and weavers were not content till they destroyed the Jenny¹³ and all its belongings, and drove Hargreaves himself from his home. Arkwright was compelled to resort to all manner of stratagems to evade pursuit. And poor Crompton, more than once, was compelled to take his mule to pieces, and hide its various parts in a garret. But should we be surprised at the inability of working-men one hundred years ago to apprehend the relation of machinery to production and wages, when so many of much higher grade in society are utterly ignorant on the subject this very day? It all arises, however, from want of thought. The weavers of the last century, and those who obstructed the introduction of machinery at a later time, did not fully realise, that whatever superiority we possess over other animals, arises precisely from this, that we are able to economise human labour by the use of mechanical contrivances. Can we live without using tools or implements of some sort? Is it not the fact, that we have fewer natural means of appropriating to our own wants objects which nature offers to us than other animals possess? Thankful we should be if, by artificial helps, quite as powerful as any animal

¹³ Spinning by rollers was first tried in Birmingham. In 1700, in a small building near Sutton Coldfield, about six miles from Birmingham, the first thread of cotton was spun, by means which Arkwright subsequently perfected, and from the use of which our vast cotton trade has sprung. This 'first thread of cotton, spun without the aid of human fingers,' was produced by an arrangement of rollers in a model, about two feet square, without a single witness to the work, the inventor, to use his own words, 'being all the time in a pleasing but trembling suspense.' In 1711 the invention had made further progress, and some yarn was spun by an engine turned by two asses walking round an axis in a large warehouse near the Well, in the Upper Priory, at Birmingham, some of the thread being still extant and endorsed with the details by John Wyatt himself. The cotton manufacture, or rather the spinning of cotton by rollers, was carried on in Birmingham till nearly the close of the last century (See *Industrial History of Birmingham*, by Samuel Timmins)

power, we can grind our corn by water, wind, or steam ; and can carry our loads not by hands, but by carts and waggons, by horsepower or railway. And who can see those stupendous pieces of mechanism which are used in the spinning of yarn or the weaving of lace, without being astonished at their extreme beauty and nicety of contrivance? Little, indeed, did the Blackburn spinners think, when they were enraged at the appearance of such inventions, that instead of curtailing employment, machinery would multiply it a thousandfold, and that, instead of reducing the amount of wages, it would produce so great an improvement in the economic condition of the labouring classes.

Unfortunately for other industries, their progress was hindered by prejudices or fettered by legislative restrictions. The woollen was an old English industry. Long had Norwich been known for her baize, Sudbury for her serges, Colchester for her broad-cloth, Gloucester for her cloth, and Kendal for her coarse cloth. Even London and York continued for a considerable time to be important centres of the woollen industry. But the increasing prices of provisions, high rates of wages, difficulty of obtaining commodious streams for the scouring and fulling of cloth, and the restrictions imposed by the municipalities, drove the woollen manufacture away to the villages and townships of Yorkshire. And there it remained in a dull and unsatisfactory condition, the manufacturers always dreading the contact of French competition, yet utterly unable to overcome it. They knew that the success of the French was mainly owing to their ability to use a mixture of native and foreign wool, and to their better method of spinning ; but instead of striving to acquire these advantages for themselves, they unfortunately neglected every means of improvement, and took an unworthy refuge in protection and restriction. Well, indeed, they might dread the danger of competition. From the time of Elizabeth scarcely any alteration or improvement had been made in the processes of manufacture, either of woollen or worsted, beyond the variation of colour or pattern to suit the fashion of the day. It was only when the mechanical inventions applied to the spinning and carding of cotton were found applicable, with some modifications, to the woollen and worsted manufactures, that these began to undergo a complete transformation.

Nor was it any better with the silk manufacture. An exotic at the beginning, never able to assert an independent existence, it ever dreaded French competition, and the weavers lost no opportunity of protesting against any interference from without. In 1763, the discontent assumed a serious aspect, and the journeymen gave themselves to riot and demonstrations. At Spitalfields, they destroyed the looms, cut large quantities of rich silk, and carried about the effigies of their masters to hurl upon them their wrath and vengeance. At Dublin, the silk weavers expressed their sense

of the importation of a quantity of French silk by assembling in great numbers, and destroying the mercers' looms. But, really, it was not easy for the Government to decide what was wanted. Whilst the weavers prayed for an immediate remedy for their distress, by the imposition of further and more effectual restrictions, the silk throwsters were as convinced that the quantity of raw silk on hand was not sufficient to answer the demand of the trade; and the mercers affirmed that, in truth, there was no want of employment, but that there was not a sufficient number of skilful and intelligent men to execute the work. For the moment the Legislature succeeded in evading the question, but two years after, in 1765, another demonstration having been organised by the journeymen silk weavers, and a large procession having marched with drum and colours to Parliament, followed by their wives and children, Parliament had to yield to absolute force, and passed two acts, one¹⁴ reducing the duties on the raw material, and another¹⁵ prohibiting the importation of foreign silk. It was deemed a great concession to allow Italian organzine to come in for warp, but the importation was allowed on condition that it be entered only at the London Custom House. How unfortunate was it that the Legislature was not sufficiently enlightened on the bearing of commercial legislation. By it both manufacturers and labourers were encouraged to make demands which were utterly irreconcilable with economic laws. Witness the act passed in 1773 to secure the weavers against the supposed extortions of their masters, by empowering the magistrates of the City of London to settle the wages of journeymen silk weavers.¹⁶ Witness the renewal, year after year, of the prohibition of foreign manufactures, and the laws passed against combinations amongst workmen. How could the manufacturers prosper with a legislation so restrictive and meddling?

England seems never to have looked with favour on the linen industry. The English Linen Company was established in 1764, but its operations were exceedingly small. No better evidence, indeed, could be afforded of the weak and almost exotic character of the linen manufacture than the fact that, whilst the exports were forced by a bounty of three-halfpence per yard offered on all linen exported, petitions were constantly coming in from different parts of the country, some asking for additional duties on foreign linen, and some for a reduction of the same, the exclusionists, however, always gaining their point. Ireland and Scotland were more advanced than England at that time in the linen manufacture, and from that period date the Linen Halls and the British Linen Company.¹⁷

¹⁴ 5 Geo III c 29.¹⁵ 5 Geo III c 48¹⁶ 13 Geo III. c 68¹⁷ The British Linen Company was formed in 1746, for the purpose of encouraging the linen manufacture in Scotland, but gradually became a banking company.

In the iron industry not much progress had been made in the first half of the eighteenth century. Some time had elapsed since Lord Dudley substituted coal for charcoal in smelting, though, owing to the want of adaptation of the furnaces, the Coalbrook Dale Ironworks were really the first that employed it with any success. The introduction of the new blowing apparatus, and of the reverberatory or air furnace, by which pig iron could be made malleable without blasting, were great improvements. But, with a scanty supply of air, and with little density, the produce of the best firms did not exceed ten or twelve tons weekly, and the average annual make of each furnace was less than 500 tons. When, however, it became known that by the process of puddling and rolling, invented by Mr. Henry Cort in 1784, coals could be used instead of dear charcoal, and that the slow operation of the hammer could be altogether superseded, so as to enable the workers to produce a much greater quantity and of a far superior quality, a new and unexpected impulse was given to the iron industry, with results far exceeding any anticipations.¹⁸ In South Staffordshire, in 1768, there was not a single furnace making charcoal iron, and only nine furnaces where pit coal was used, producing fifteen tons each per week; while in all other parts of England there were twenty-four charcoal furnaces and forty-four pit-coal furnaces. In very few years these multiplied enormously, production increased apace, and an immense industry sprang up in hardware and locks, japanned goods and ironmongery. Yet the inventor of this puddling and rolling derived little or no advantage for himself, and his family only wrung from the Government a small pittance as a recognition of the enormous value of his discovery. Of coal the production was as yet comparatively insignificant, and the Durham and Northumberland coalfields yielded about a fourth of the whole produce of the kingdom. In 1770 the vents of the northern ports amounted to 1,551,000 tons, and the whole kingdom yielded only about 6,200,000 tons.¹⁹

Other branches of industry received at this time a wonderful impulse. This was the era of Wedgwood, and the time when the earthenware manufacture began to attract great interest. Though possessing all the materials for the fabric of earthenware, England had hitherto depended almost entirely on the importation of a red lustrous pottery from France, Germany, and Italy. By successive improvements, such as the substitution of salt for lead ore, the re-production of a certain red ware from Japan, and the substitution

¹⁸ Henry Cort's patent for a method and process of preparing, welding, and working various sorts of iron, and of reducing the same into uses by machinery, a furnace and other apparatus adapted and applied to the same purposes, is dated January 17, 1783.

¹⁹ See *Report of the Coal Commission*, 1871, and more especially Mr. Robert Hunt's Report.

of stone for iron, considerable advance had been made in the manufacture; but it was not till Josiah Wedgwood, with his skilful hand and artistic eye, began to work in Staffordshire, that the industry attained any importance. 'Up to that time,' said his talented biographer, 'there had been nothing worthy of the name of decorative art; of colour, proportion, or form. A mixture of different coloured clays, of rude outlines scratched in by a nail, a blue or brown edge line, or a paste-like medallion luted to the surfaces, were the highest efforts of ornamental art. After all that had been done for the improvement of the different bodies, they were at best flimsy and indifferently glazed, the hue of the white ware was bad, and the forms and their adjuncts were ill-proportioned, often angular, and almost always without those flowing outlines that, whilst severely true to geometrical principles, show the utmost grace, delicacy, and beauty. Wedgwood, true to the inductive spirit of the age then opening to his generation, and those which would follow, took up his art as a science, and based its improvement upon principles.'²⁰

With all these mechanical and artistic improvements, however, little real progress would have been made in British industry had it not been for the greatest of all discoveries, the discovery of steam as a new motive power. Animal forces had been found utterly insufficient. It was very well for the Laplanders to yoke their reindeer, the Esquimaux their dogs, and the Arabs their dromedaries or camels; but we well know that animals are at best limited in number, that they require constant replenishing and food, that they are uncertain from sickness and casualties, and that they are unequal and quickly worn out. Water, again, which is capable of such a momentum when producing a cataract, or when moving in rapid streams; and wind, now whispering in zephyrs, or murmuring in the breeze, and anon rushing with the impetuosity of the gale, had been, and might be, effectively used for many purposes, but neither could be controlled at pleasure and so rendered subservient to human want everywhere and under every circumstance. Steam was found to be at once the most potent and the most pliable of motors, and was destined thenceforth to work miracles in our behalf. The history of this great discovery may be quickly told. Many had been the attempts to use steam as a motive power. As far back as 1543, Blasco de Garay exhibited in the harbour of Barcelona a steamboat of his own invention. In later times De Caus used steam for raising water. Woi-

²⁰ *The Life of Josiah Wedgwood*, by Eliza Meteyard, vol. 1 p. 167 Wedgwood's patent for the purpose of ornamenting earthen and porcelain ware with an encaustic gold bronze, together with a peculiar species of encaustic painting in various colours in imitation of the ancient Etruscan and Roman earthenware, was dated January 1783. See Mr Gladstone's address on Wedgwood, delivered at Burslem, Staffordshire, on October 26, 1863, in *Gleanings of Past Years*, Murray (1879).

cester, in 1663, performed the same operation on a greater scale. Papin, in 1680, used the condensation of steam; and through that the atmospheric pressure, as well as the direct expansive force, and worked the engine by a piston. Savery, in 1698, condensed by refrigeration, instead of by the mere absence of fire, but did not use the atmosphere. Newcomen, in 1705, used the jet for condensing and the atmosphere for pressure, though he did not use the direct force of steam. Desaguliers introduced the safety valve; Beighton and Smeaton, in 1770, further improved the mechanism;²¹ but the desired object was not yet accomplished, there being a great loss of steam, only about one-fourth of what was admitted into the cylinder being actually available as a motive power. On January 5, 1769, however, Watt's patent 'for a method of lessening the consumption of steam and fuel in fire-engines' was published, and what a change was produced from that day!²² 'To recount the achievements of the steam-engine,' said Arago, 'is to go over the greater part of what adorns and interests civilisation and science. By its aid we penetrate into the bowels of the earth, excavate vast mines, and extract from the virgin soil inexhaustible mineral treasures. Combining delicacy with power, it twists with equal success the huge ropes of the gigantic cable, by which the man-of-war rides at anchor in the midst of the raging ocean, and the microscopic filaments of the aerial gauze and lace, of which fashionable dresses are principally formed. The great mechanical powers, formerly sought for in mountainous districts, or at the foot of rapid cascades, are thereby obtained in the midst of towns, on any floor of a house; whilst the extent of such power may be governed at the will of the mechanician. To it we owe that the different branches of each manufacture may be carried on in the same space, under the same roof. Installed in ships, it exercises a power a hundredfold greater than that of the triple and quadruple banks of rowers of former days; and, by the help of a few bushels of coal, we can vanquish the elements and play with calm and contrary winds or storms. And whilst drawing in its train thousands of travellers, it runs on railways with greater speed than the swiftest race-horse!'²³ How can we estimate sufficiently services so rare and so great?

This period was also the starting-point of chemical discoveries. Hitherto chemical science could scarcely be said to have existed. A few facts had been observed, but no attempts had been made to account for them. There were but few chemists. The names of Becher (1633-1682) and Stahl (1660-1734) were almost unknown,

²¹ See Brougham's *Life of Watt*

²² On May 22, 1775, an act was passed vesting in James Watt, engineer, the sole use and property of certain steam-engines, commonly called fire-engines, of his invention, throughout his Majesty's dominions for a limited time, or twenty-five years from the date of the act.

²³ *Historical Eloge of James Watt*, by M. Arago

and little progress had really been made in elevating chemistry to the rank of an experimental science. The founder of this structure was Dr. Black, the instructor of Watt, who enriched the world with his experiments on the air, and on latent and fixed heat. Then came Cavendish (1731-1810), with his researches on the composition of water and on the force of attraction. Priestley (1733-1804), too, gave forth his discovery of oxygen, and Lavoisier (1743-1794) generalised and systematised the whole of chemical science. The philosophy of meteorology also attracted attention. In 1773 the council of the Royal Society resolved to make daily observations at their house with the barometer, thermometer, hygrometer, and wind gauge; and they entrusted the guidance of these observations to the Hon. Henry Cavendish. In 1780 the Royal Society left their secluded quarters in Crane Court, and went to Somerset House.²⁴

And Art kept pace with Science. As early as 1721 a proposal was made to establish a society to be called the 'Chamber of Arts,' for the preservation and improvement of useful knowledge and mechanical arts, inventions, and manufactures. In 1748 Benjamin Franklin published his proposal for the advancement of useful knowledge among the British plantations in America, by the formation of a society to be called the American Philosophical Society. In 1753 the still existing and flourishing 'Society for the Encouragement of Art, Manufactures, and Commerce' was first established, the original address signifying the intention of the society to 'bestow rewards from time to time for such productions, inventions, or improvements as shall tend to the employing of the poor, the increase of trade, and the riches and honours of the kingdom.' And this period was distinguished by the formation of Academies of Fine Art in different countries. Of these that of St. Petersburg took the lead, the Empress Catherine having, in 1765, endowed it with a considerable revenue. The Venetian Senate followed by founding one in 1766, which took the name of 'Reale Accademia delle Belle Arti.' A year after the Elector Carl Theodor founded one in Dusseldorf, and, in 1768, the Royal Academy of Arts in London was established, with Sir Joshua Reynolds as president. In the same year the Academy of San Carlo was established in Valencia by Charles III. One was established at Brussels in 1770. The Empress Maria Theresa founded one at Milan in 1775; the Landgraf Frederick II. established one at Cassel in the same year, and, four years later, another in Augsburg. Surely this was a time of decided progress in everything that could stimulate and improve the productive industry both of this and other countries.

²⁴ Later on, in 1804, Dalton first suggested his theory of the atomic composition of bodies, and after him came Berzelius (1779-1848), Gerhardt, and Faraday.

Alas that in the very midst of all this progress a piece of absolute Vandalism should have been perpetrated in the city of London! In 1768 Gresham College, including the old mansion of Sir Thomas Gresham and all its buildings, was sold to the Government to form a site for the Excise Office, for the miserable compensation of five hundred pounds a year. Sir Thomas Gresham was a great and enlightened citizen. Largely engaged in financial and commercial operations, frequently charged by Edward VI. and Queen Elizabeth with the negotiation of foreign loans, and even called to act as ambassador to the court of Spain and the Duchess of Parma, Sir Thomas had learned to regard trade more as a science than as a craft. He saw the need of an Exchange to serve as a shelter to the merchants, who then met twice a day in the open street, and made over certain property to the city for the purpose. But he was not content with this. He was anxious for the cultivation of the mind. He saw the advantage of education, and he bequeathed his splendid mansion in Bishopsgate Street for the purpose of a college, appropriating the revenue of the Royal Exchange building for its endowment. By his will, executed in 1575, he granted this property in one moiety to the mayor and commonalty and citizens of London, and one moiety to the Mercers' Company, in trust that with the revenue of the same the corporation of the city should provide for the endowment of four lectureships in the same college, viz. on Divinity, Astronomy, Music, and Geometry; and the Mercers' Company should also establish three lectureships, viz. Law, Physic, and Rhetoric. Sir Thomas evidently intended that the college should serve as a technical university for the mercantile classes, and he took every step to secure the utility and renown of such an institution.

And for a time all went well. The professors were men of great distinction. The college, so nobly provided for, in the very heart of the city, did really become the seat of learning and liberal arts, and the resort of the most enlightened among the mercantile classes. It was there that the Royal Society²⁵ had its rise, and for a lengthened period it possessed a large library and an excellent museum. But, unfortunately, a temporary diminution of income in consequence of the fire induced the corporation of the city and the Mercers' Company, in an evil moment, to commit the sacrilegious act of selling the edifice to the Government.²⁶ Another

²⁵ The Royal Society held its meetings in the college from 1662 to 1710

²⁶ In 1853 Gresham House was purchased from the Government by the Gresham House Estate Company, limited, for upwards of 100,000*l*, and mercantile offices have been built on the ground, the present rental of which amounts to about 20,000*l* per annum. Thus property, which was sold in 1768 for a rental representing a capital of about 10,000*l*, was disposed of in 1852 for more than 100,000*l*, and now with new buildings erected on it represents a capital of 400,000*l*—a wonderful illustration of the increasing value of land in the city of London.

small building was afterwards erected in Gresham Street in 1843, where lectures are still delivered; but the spirit is gone, and the trustees have allowed the college and lectures to fall far short of the original design. Can it be that whilst all educational institutions are acquiring new life and usefulness, this noble legacy of one of our merchant princes is to remain almost useless and purposeless? Would it not be worthy of an effort to rescue it from the slumber and run into which it has fallen? Let Gresham College be adapted to the exigencies of the age in which we live, and we shall show by our deeds that we value the munificent and princely endowments of one of our great and philanthropic citizens.

CHAPTER II.

DEVELOPMENT OF NATIONAL RESOURCES

Canal Navigation.—State of the Roads —Postal Organisation —Progress of Towns —State of Ireland —Corn Laws —The High Price of Coin —Interference with Trade and Industry —Adam Smith and the Progress of Political Economy —What is the True Source of Wealth?—Statistics and Political Economy.

For the increase of the productive power of a state, nothing is more important than the extension of the means of communication. It was fortunate, therefore, that side by side with the great discoveries which we have already noted, attention was given in England to the improvement of roads, the formation of canals, the extension of harbours, and, above all, to the economic laws which regulate national and international intercourse. The Duke of Bridgewater had a rich coal mine in Worsley, only a few miles distant from Manchester; yet the abundance of the one was quite unavailable to the wants of the other, in consequence of the high cost of land carriage,¹ which amounted to about forty shillings per ton. How to connect Worsley with Manchester was a great problem. It was proposed to render Worsley brook navigable, but that was almost impossible. A canal between the two places was suggested, with better hopes of success. The necessary powers were obtained, and with the assistance of Brindley, the great engineer, the Duke succeeded in constructing the canal, first from Worsley to Stafford, and afterwards over the Mersey and Irwell by an aqueduct. To the proposal of introducing this new method of inland navigation, all manner of objections were urged—precisely the same as those which, at a later time, were made against railways. Extend canal navigation, and you diminish the breed of horses, injure the coasting trade, and weaken the navy. To undertake such a work you will require to sink large sums of money, and destroy great quantities of land capable of producing corn and cattle, whilst the natural navigation of rivers will be neglected. The objectors did not

¹ Before the opening of the canal, 12s. the ton was paid from Liverpool to Manchester by the river navigation, and 40s. the ton by land carriage. The Duke's charge on his canal was limited by statute to 2s. 6d. per ton. See an able article on 'Aqueducts and Canals' in the 73rd vol. of the *Quarterly Review*, 1844. The Bridgewater Canal was incorporated in 1759, the Staffordshire and Worcestershire Canal Company in 1766, the Leeds and Liverpool Canal Company in 1770, and the Chesterfield Canal Company in 1771.

understand that, by opening up the country, and by procuring outlets to our mineral resources, and inlets for foreign produce, fresh life would be given to established industries, new branches of internal trade would be opened, and the foreign trade would be largely promoted. But the error was speedily perceived, and the objectors were silenced. From 1760 to 1773, many were the acts² passed for widening and improving roads and the making of canals. Then it was that Lynne was joined to Northampton, the Shannon to Dublin, and the Forth to the Clyde. Then, too, by a grand system of canals, the ports of Liverpool, Hull, Bristol, and London were joined together. And we have it on the testimony of a committee of the House of Commons on the State of the Poor in Ireland in 1830, that the opening of lines of inland navigation, when formed upon scientific principles, and executed with due economy, has always been attended by the extension of improved agriculture, the equalisation of prices of fuel and provisions in different districts, the diminishing of the danger of scarcity in both of these necessities of life, the advancement of general improvement in the condition of the people, and the creation of a new, vigorous, and continued demand for labour.'

Still more illustrative, however, of the hindrances which then existed to commerce and industry, was the singular deficiency in the means of personal communication. The time was not quite gone when, as in the days of Milton, a traveller

O'er bog or steep, through straight, rough, dense, or rare,
With head, hands, wings, or feet, pursued his way,
And swam, or sunk, or waded, or crept, or fled

In 1760, after the Peace of Paris, turnpike roads were extended to all parts of the kingdom. In 1766 Lord Eldon took four days to perform a journey from Newcastle to London in a fly. From London to Liverpool a flying machine was started three times a week, and it performed the journey in forty-eight hours. The London and Liverpool diligence gave the passengers a rest of ten hours the second night. From Liverpool to Manchester the coach started at six o'clock, the passengers lunched at Warrington, and arrived in time for dinner. From Liverpool to Glasgow two days and a half were required, and from Edinburgh to London there was only one stage coach, which set out once a month, and took twelve to fourteen days to perform the journey. In Lancashire the roads were most deficient. When, in 1770, Arthur Young entered on his journey of inspection, he found it almost impossible to go from Preston to Wigan without personal danger. And the result of all this was the greatest possible inequality in the distribution of produce, and a corresponding variety in prices; so

² In the first fourteen sessions of the reign of George III., 452 acts were passed for repairing the highways of different districts.

that, whilst London was often suffering from want of food, farmers, in certain localities, were not able to get more than five farthings the pound for good mutton. A long time had yet to elapse before the railway was to traverse the length and breadth of the land; but means were speedily taken for providing better modes of communication than as yet existed.

The postal organisation also was most imperfect. The rates of postage were high, and the facilities of communication miserably small. In 1763 the Post Office establishment was of very insignificant proportions. The secretary had only two supernumerary clerks assigned to him. Before 1764³ members of both Houses of Parliament were able to frank their letters by merely writing their names upon the covers, and parcels of such franks were obtained from members for their friends, which were put aside for use like the stamped envelopes sold by the Post Office at the present day. The packet establishment consisted of four Harwich packet boats for the German mail; six Dover boats for Calais, Ostend, and Flushing; and five Falmouth boats for the mail to North America and the West Indies, which cost the Office 10,000*l.* per annum. With the lengthy passages then made, the speed of sailing ships being at least one-third less than at the present time, and without steam vessels, by which all the correspondence is now carried, letters must have borne a far-back date when they reached our merchants and bankers.⁴

The merchant marine of Great Britain had already become somewhat considerable, especially in relation to other countries; but the majority of ships were of very small size. It was only in 1770, or soon after, that copper was substituted for wood for the sheathing of ships' bottoms. Need we say that a ship of a hundred

³ In 1763 the act 4 Geo III c 24 restricted the privilege to certain official persons, and, by the 4 Geo III. c 25, a district penny post was established for distances not exceeding one post stage.

⁴ The *inland* rates of postage were much altered. In 1763 they were the same as those fixed by a statute of Queen Anne in 1710 (9 Anne, c 10). In 1765 they were fixed at 1*d* for every single letter for not more than one whole post stage, 2*d* for every double letter, 3*d* for every treble, and 4*d* for every ounce; and 2*d* more for every additional post stage. In 1784 the rates were again modified, and a penny post was allowed for letters delivered within ten English miles from the general letter office in the metropolis. A single letter from France to London cost 10*d*; double, 1*s* 8*d*; treble, 2*s* 6*d*. A single letter from Spain, 1*s* 6*d*; double, 3*s*; a single letter from Italy, 1*s* 3*d*. The packets were regular, but the service was very infrequent. To and from India and China there was no regular mail. The letters were despatched by merchant ships as opportunities occurred. The ships of the East India Company in 1763-4 were of about 500 tons each, and they employed about eighteen months for the double voyage to India and China and back. The 'Egmont' sailed to St. Helena and China on January 1, 1763, and arrived back on July 19, 1764, the 'Neptune' left for the East and China on January 2, 1763, and returned August 4, 1764; the 'Glatton' left March 1, 1763, and came back November 5, 1764. The rates of insurance also were double the present rates. From London to Naples, 30*s.*, to Cadiz, 21*s*; to Bilbao, 25*s*; to Carthagena, 30*s.*; to New York, 42*s.*; to the East Indies and back, 7 guineas.

years ago would exhibit a wonderful contrast to the graceful clipper, the steamer, or the iron vessel of the present day? And what a contrast with the present state of things in the fact that when the large, heavy, and ill-shaped barques arrived, there was no dock where they might safely load or unload.

Of the facilities of banking which we now possess, there were scarcely any at that time. The Bank of England,⁵ founded in 1694, was in the enjoyment of perfect monopoly as a joint stock bank over the whole of England. Its charter was renewed in 1764⁶ for twenty-one years, on condition of its making some advances to the state. Since 1759 the Bank issued notes for 15*l.* and 10*l.*, but there were no notes of 5*l.*, which were not issued till 1793. The private banks were all banks of issue as well as banks of deposit. In 1763 the names of twenty-three private bankers appeared in the 'Royal Annual Kalendar.' Of these twelve have since become extinct, and eleven, including the banking houses of Biddulphs, Child, Coutts, Gosling and Sharpe, Hoare, Glyn, Willis, and Percival, still remain in existence. The clearing-house system was already so far in operation, but there were but few cheques in circulation, and the number of persons having banking accounts was miserably small. In Scotland, too, the Bank of Scotland, established in 1695, was in existence, as well as the Royal Bank of Scotland and the British Linen Company. The Bank of Ireland was not established till 1783. Our refined and complicated system of credit, consisting really in a kind of ledger currency, and a simple method of transferring credits in bankers' books, was altogether unknown.

Gradually, however, a rapid and wonderful change was produced in commerce and industry by the expansion of some of our leading commercial and manufacturing towns. Liverpool derived enormous benefit from the extension of manufactures in Lancashire, from the rapid increase of population and wealth in the American colonies, from the new acquisitions of England in Canada, and the extended cultivation of the West Indies. Birmingham felt all the advantage of the opening of the Birmingham, Staffordshire, and Worcestershire Canals, which enabled her to receive all her supplies of coal and materials for manufacture and building at prices much under the usual carriage rates. The Soho factory was by this time built, and Watt was producing his

⁵ The Bank of England was established in 1694 with a capital of 1,200,000*l.* lent to the state with a charter under the 5 & 6 Will III c 20. In 1697 the charter was continued till 1710, under the 8 & 9 Will III c 20, the capital being increased by 1,000,000*l.* In 1708 the charter was renewed by 7 Anne c. 7 till 1732, and in 1713 by 12 Anne c. 11 till 1742, the capital of the Bank having been increased to 9,000,000*l.* In that year the charter was again continued till 1764 by 15 Geo. II c. 13, and at the latter period the capital of the Bank was 10,780,000*l.*; from which time it underwent no change till 1782, when it was increased to 11,642,000*l.*, and again in 1816 to 14,553,000*l.*

⁶ 4 Geo. III c. 25.

wonderful engines with increasing success. Manchester, though not much of a corporation, was being surrounded by a cluster of manufacturing towns, all busy and thriving. Bristol, for a long time without a rival, was carrying on a considerable foreign trade, and enjoying all the benefits of the confluence of many rivers; whilst Glasgow greatly extended her relations with the West Indies.

One portion of the now United Kingdom was not in a position to derive any benefit from all these improvements, and that was Ireland, then, as on many subsequent occasions, in a turbulent and discontented spirit. Nor was she altogether unjust in her complaints, for she was really suffering from the iniquitous commercial policy pursued against her. By the old navigation laws,⁷ no productions of Europe and Ireland included were allowed to be exported to the colonies unless shipped from England and Wales, the only relaxation from this prohibition of all direct Irish trade with the colonies being the permission to export to them white or grey linen cloth. By a later statute no colonial merchandise could be landed in Ireland unless first landed in England, and no manufacture of wool was to be exported from Ireland to any place except England.⁸ She could import no East India produce except through England; and even if under the reign of George I. some slight freedom was granted, care was taken that it should not interfere in any way with the substantial monopoly of England. A committee of the House of Commons sat in 1778, to find means to allay the discontent. But whilst the English merchants exhibited an unworthy spirit of exclusiveness, and the Dublin merchants were loud in their condemnation of the anti-commercial policy of England, dictated as it was by the unjust, illiberal, and impolitic opposition of self-interested people, no arrangement was possible.

In truth, however, this was only part of a totally defective commercial legislation. Most backward of all were the laws affecting the corn trade, both inland and foreign. In olden times, when the population of England was small, and the wealth at her disposal not very great, England was usually an exporter, and not an importer of grain.⁹ But by this time a different phenomenon was observable. For a series of years, from 1763, the prices of grain and other provisions ruled very high, so much so, that food

⁷ 15 Car. II c 7

⁸ 22 & 23 Car II c 26

⁹ The exportation of corn was prohibited by 34 Edw. III c 20 (1361). The same was permitted when the price did not exceed 6s 8d per quarter in 1436. The importation of corn was prohibited, unless the price of wheat exceeded 6s 8d per quarter, in 1463. The importation of the same was heavily taxed by Charles II in 1670 and Will & Mary in 1689. In 1763 there were exported from Great Britain 429,538 qrs. of wheat, 215,681 qrs. of barley, 3,042 qrs. of oats, and 1,295 qrs. of rye. From 1766 forwards, except in very few cases, the imports greatly exceeded the exports.

riots took place in different parts of the country, and it became necessary, by royal proclamation, to allow the free import of salt beef, salt pork, and butter from Ireland, to suspend the exportation of corn, and to prohibit the distillation of wheat. Not content, however, with these simple and natural measures, rewards were offered for the discovery of any unlawful combinations, and, what was still worse, the laws of Edward VI.¹⁰ and Elizabeth against forestallers and engrossers were enforced, and an embargo was laid on all vessels laden with wheat and flour in any of the ports of Great Britain. The apology for the laws of forestalling and engrossing was, that such practices diminished the competition which ought to exist between different persons having the same merchandise for sale. The forestaller, it was said, buys all up with an intention to sell with more profit, as he has, by that means, taken other competitors out of the way, and appears with a single interest on one side of the contract, in the face of many competitors on the other. This person is punished by the state because he prevents the price of the merchandise from becoming justly proportioned to the real value. He has robbed the public and enriched himself, and in the punishment he makes restitution. It was not then understood, that by withdrawing from the market an article, which is becoming scarce, a greater equality of supply and consequently lower prices are, in fact, secured, than if people were allowed to bask in abundance for a time to be suddenly thrown into a state of complete starvation. It was not till 1772¹¹ that the laws against forestalling and regrating were repealed after abundant experience of their injurious tendency.

What was the cause of the high price of corn was not well understood at the time. Some ascribed it to the large increase of population, others to the great number of horses kept; some sought for the reason in the increasing use of tea and milk, others in the vast quantities of land turned into dairies, and the incorpo-

¹⁰ By 5 & 6 Edw. VI. c. 14 *Combinations* among victuallers or artificers to raise the price of provisions or any commodities, or the rate of labour, were severely punished by particular statutes, with the forfeiture of 10*l* or twenty days' imprisonment, with an allowance of only bread and water, for the first offence, 20*l*, or the pillory, for the second, and 40*l* for the third, or else the pillory, loss of one ear, and perpetual infamy. The offence of *forestalling*, or the buying or contracting for any merchandise or victual coming in the way to market, or dissuading persons from bringing their goods or provisions there, or persuading them to enhance the price when there, any of which practices made the market dearer to the fair trader, was an offence at common law, also *regrating*, or the buying of corn or other dead victual, in any market, and selling it again in the same market or within four miles of the place, also *engrossing*, or the getting into one's possession, or buying up, large quantities of corn or other dead victual, with intent to sell them again. Even after the statutes concerning these offences were repealed by 12 Geo. III. c. 71 they continued to be an offence at common law. But even the common law offence, which was punishable, was abolished, and all statutes in restraint of trade were repealed by 7 & 8 Vict. c. 24.

¹¹ 12 Geo. III. c. 71.

ration of farms, whilst many had a suspicion that it was owing to the fall in the value of silver. But, in truth, the seasons had proved most unfavourable for many years through the greater part of Europe, whilst the disorders in Poland increased the scarcity in all the countries usually supplied from that market. Unfortunately, no means yet existed for obtaining the average price of grain in England. It was only in 1770,¹² that the first act was passed for obtaining returns of such average prices. And in 1773¹³ the first comprehensive corn law was enacted, which allowed the importation of wheat at a duty of 6*l.* per quarter when the price reached 48*s.*, and the exportation of the same when the price fell to 44*s.*; the preamble of the act throwing much stress evidently on the influence of the corn laws on the advancement of tillage and navigation.

The *beau idéal* of government at that time seems to have been to exercise a certain paternal superintendence over the transactions of society, to endeavour to repair by artificial means the shortcomings of private industry, and even to hamper or interfere if need be with the management of business, with a view to the advancement of certain interests which were deemed deserving of public support. Fortunate it was that the advocates of such measures did not always succeed. For a considerable time a tax was levied on all stuff made of cotton, or of cotton and linen mixed; and complaints were made against such a tax. The Manchester manufacturers and Glasgow operative weavers strongly urged the repeal of all duties on manufactures, and called upon Parliament, as Heaven's trustees for the nation, not to strangle an infant industry. The petition was successful, and the duties were repealed. Would that the woollen manufacture had been left as free from legislative interference as the cotton has been. The cotton manufacture was not born under an atmosphere of protection, was never the petted child of Government or Parliament, and yet grew and prospered most vigorously. The woollen, the object of so much care, was for years weak and slow in its progress. Nothing could have been more suicidal than the action of the woollen manufacturers. They were not content to shut out all foreign woollen goods from the British market. They went much further. The long-stapled or English combing wool being superior for some manufacturing purposes to that of any other country, the most severe laws were passed, prohibiting the exportation of English wool.¹⁴ Nay, more.

¹² 10 Geo III c 39, an act for registering the prices at which corn is sold in the several counties of Great Britain, and the quantity exported and imported. Justices at general or quarter sessions next after September 29 yearly to order weekly returns to be made of the prices of wheat, rye, barley, oats, beans, and big.

¹³ 13 Geo III c 43

¹⁴ *Orbigny*, or the offence of transporting wool or sheep out of the kingdom, was forbidden at common law and by 11 Edw. III. c. 1. The statute 8 Eliz.

An act was passed, in 1788,¹⁵ prohibiting the exportation of live sheep, imposing all kinds of restrictions on the carriage of wool from one part of the country to the other, and even prohibiting sheep-shearing within five miles of the sea. This was, indeed, carrying the protective policy to its legitimate results; but what were the consequences? Trade and industry were hampered and misdirected; the interest of the consumer was disregarded, in the vain hope of favouring the producer; and even the processes of agriculture were unduly interfered with. So that blunder was heaped upon blunder, producing in the end nothing but disappointment and loss. To some extent the policy of obtaining, free of duty, the raw materials of industry was acknowledged and acted upon. Indigo, cochineal, and logwood, necessities for dyers, were allowed to come in free, and the duties on oak and bark were lowered. But the prohibition of foreign goods was very general, and bounties were freely given to encourage the exportation of British manufactures. These were the times when apprenticeship was everywhere prescribed, when workmen were kept by force in the country, and when the combination laws were in full operation.

Much need, indeed, there was of a master mind to seize the real bearing of such legislation, and to enlighten both manufacturers and workmen on the result of their clamour. And happy was it that just at that moment a work was published entitled 'An Enquiry into the Nature and Causes of the Wealth of Nations,' which removed much error, revealed much truth, and reduced many scattered and disconnected ideas into a homogeneous and and compendious system. To understand what Adam Smith has accomplished we must briefly trace the history of political economy at least in its main features.¹⁶ Adam Smith¹⁷ was not the

c 3 made the transportation of live sheep, or embarking them on board any ship, for the first offence, forfeiture of goods and imprisonment for a year, and that at the end of the year the left hand should be cut off in some public market and should be there nailed up in the openest place, and the second offence was felony. The statutes 12 Car II c 32 and 7 & 8 Will. III c 28 made the exportation of wool, sheep, or fuller's earth liable to pecuniary penalties, and three years' imprisonment to the master and all the mariners. And the statute 4 Geo I. c 11, amended by 12 Geo II c. 21 and 19 Geo III, made it transportation for seven years if the penalties should not be paid. By the 28 Geo III. c 38, and by 5 Geo. IV. c 47, all the former statutes respecting the exportation of sheep and wool were repealed.

¹⁵ 28 Geo III. c. 38

¹⁶ Blanqui, *Histoire de l'Economie politique en Europe* Paris, 1837-8.

¹⁷ Adam Smith was born in Kirkcaldy (Fife) in 1723. He entered the Glasgow University in 1737. He gave a course of lectures on rhetoric and belles lettres in Edinburgh in 1748, was elected to fill the chair of Logic in 1751, and in the following year the chair of Moral Philosophy, in the University of Glasgow, but he resigned the same on his undertaking a journey to the Continent in 1763. Returned to Kirkcaldy, he published his work on the *Wealth of Nations* in 1776. In 1783 he was nominated Rector of the University of Glasgow, and he died in 1790.

first enquirer into the causes of wealth. Doubtless in every age, in one way or another, nations have endeavoured to ameliorate their physical or material condition, but they appear to have been wonderfully ignorant of the means for attaining the object. The Greeks, though indifferent to riches, indulged far too much in idleness, and were, moreover, for ever looking for help from the state. In their opinion the government was bound to feed them, and the problem with their statesmen was, how they could best enrich the people with the property of the state, then regarded as common property. The Romans never thought of the advantage of promoting national wealth. For a long time they gave themselves wholly to wars and conquests; and, when Augustus introduced order and civilisation into the empire, all that the people sought was an abundant distribution of food. The Roman statesmen did not descend into the study of industrial details. They did not understand their importance.

After the fall of the Roman Empire, and during the disorder caused by the irruption of hordes of barbarians, no attempt was made to create or preserve wealth; but as the Italian cities, the birthplace of modern society, rose to power and affluence solely by their commerce and industry, the importance of manufacture and foreign trade began to dawn in the minds of thinkers and writers on economic questions; and the idea was suggested that these were the only real source of wealth. But in what manner commerce and manufacture contributed to the production and distribution of wealth, was a mystery not yet fathomed. Was it because they led to the importation of gold and silver? If so, the truest policy would be by all means to promote the export of merchandise, and to hinder as much as possible the export of the precious metals. The French economists, or the Physiocrats, as they were called, started the suggestion, that trade cannot of itself be productive of wealth, since it only promotes the transport or distribution of the products of the earth. According to them agriculture is the only source of wealth. But if so, how did it happen that foreign trade appeared to be the means of creating much wealth, whilst agriculture seemed scarcely able to lift people up from a state of poverty? Then the doctrine of the balance of trade was suggested. The advocates of this theory did not contend that wealth consisted exclusively in gold and silver, but that wealth depended on the profitable exchange of native for foreign products, on our ability to sell goods for more than they cost, and on the excess of gold and silver obtained by the transaction. In truth, at the time when Adam Smith wrote his famous work, the most erroneous conceptions existed as regards the relative functions of agriculture, commerce, and the precious metals on the production of wealth.

Nor was there any complete treatise on the subject. In Italy several works had been published on several branches of economic

science. Davanzati and Scaruffi wrote some able works on money, in consequence of the frequent alterations and falsifications of the coinage resorted to by the petty sovereigns who reigned in the different states. Bandini and Broggia advocated freedom as the basis of public prosperity, and condemned monopolies. Galiani, Beccaria, and Verri contributed valuable works on value, capital, and labour. With them free trade in corn was a primary condition of national prosperity, and they boldly condemned the usury laws. The French economists wrote much; Quesnay,¹⁸ Mirabeau, De la Rivière, Dupont de Nemours, Turgot, and many others were the forerunners of Adam Smith. Yet none of them constructed like him what we may call the science of political economy.

Happily, too, the 'Wealth of Nations' recognised, though not as fully as more modern economists, the value of statistics in economic enquiries. 'The method I take,' said Sir William Petty, 'is not yet very usual, for instead of using only comparative and superlative words and intellectual arguments, I have taken the course as a specimen of political arithmetic I have long aimed at, to express myself in terms of number, weight, or measure; to use only argument of sense, and to consider only such causes as have visible foundations in nature, leaving thus what depends upon the unstable minds, opinions, appetites, and passions of particular men to the consideration of others.' Statistics were thus early recognised as a means of verifying the conclusions and deductions of political economy. It is by the use of statistics that political economy has acquired the character of a fixed science; and by it, that it has ceased to be tentative, and has become to a large extent an inductive or experimental science. Adam Smith availed himself largely of statistics, and hence the solidity and permanent utility of his works. And what has the 'Wealth of Nations' taught? It established, in a most distinct manner, that labour is the only true source of wealth; it destroyed the theory that wealth consisted in the abundance of gold and silver; it abolished the theory of the mercantile system; and laid down sound principles for the economic policy of the country.

¹⁸ See Quesnay's *Tableau économique*, Paris, 1758, *Physiocratie, ou Constitution naturelle du Gouvernement*, publié par Dupont, Yverdun, Paris, 1758; and Mauvillon, *Physiokratische Briefe an Dobom*, Braunschweig, 1780

CHAPTER III.

PROGRESS OF FOREIGN TRADE.

Extent of British Commerce — Trade of the Hanse Towns — Trade of Prussia, — Trade of Russia, Sweden, and Denmark — Trade of Spain and Portugal. — Trade of France — Trade of the East Indies — Trade of the West Indies — The Slave Trade — Customs Duties. — Navigation Laws — The Board of Trade and its Functions

ACCUSTOMED, as we now are, to dimensions so extended, and to figures of enormous magnitude, it needs an effort of the imagination to realise the narrow limits and meagre proportions of the commerce of England about one hundred years ago. In truth, England had then but little to give to foreign nations, and consequently her means of obtaining foreign products were just as circumscribed. If the 3,000,000 lbs. of tea then imported have swollen to 130,000,000 lbs., and the 4,000,000 lbs. of cotton into 1,400,000,000 lbs. and upwards, it is because British industry has succeeded in giving a wonderful development to national resources. Twenty-eight millions is the official annual value of all the imports and exports in 1763-4; but that included some 2,500,000*l.* of trade with Ireland, which is now part of our inland trade. Of the character and extent of British commerce at that time we have but meagre information. The official value given of both the imports and exports affords no reliable data, whilst the comparative isolation of the commerce of England from that of Scotland and Ireland up to 1778, and of Great Britain from Ireland up to 1800, renders all comparison with subsequent accounts unattainable. It was only in 1801 that the declared real value of British exports was first ascertained, and from that date the accounts refer to the trade of the United Kingdom. What was the course of trade from year to year, from 1760 to 1820, will best be seen in the diagram herein annexed. The navigation of British ports was equally contracted, and though British seamen had already acquired a great reputation for bravery and daring, as well as for a spirit of discovery and indefatigable industry, the British had not yet quite supplanted the Dutch and other maritime nations as the common carriers of the world's traffic. The period we are now surveying refers to a time of transition. Ancient commerce, with all its adventures and romance, had passed away. A new era had begun;

new nations were taking the place of the old, and England was certainly fast assuming the foremost rank.

Look at the condition of the Hanse Towns. At one time the League was supreme in Europe, and in London itself it enjoyed a considerable monopoly, under the name of the Steel Yard Company.¹ But its privileges had long since been repealed, and the League had ceased to exist. It was not in vain, indeed, that that League had existed, for traces of its wholesome action were still visible in the great marts of Northern Europe. To it we owe the abolition of the right of wreck, the safety of locomotion by land and by sea, a better administration of justice, the abolition of the *droit d'Aubaine*,² and the upholding of the rights of neutrals. Would that, in its efforts to secure the protection and development of its own trade, the League had not ignored the rights of other nations, and had better apprehended the economic value of an open and free competition. In 1763 Hamburg was suffering from a commercial crisis, attributed to the failure of many merchants and bankers in Amsterdam.

In the North of Europe trade was struggling for existence, and the different states seemed scarcely able to master its difficulties. Prussia was just then rising to importance under the energetic rule of Frederick II., but his policy was not well calculated to further industry. With monopolies of every description, and with prohibitions and prohibitory duties of the most oppressive character, Prussian trade could not well prosper. The financial policy of Frederick II. was most objectionable. He confided the administration of the finances to Helvetius, a Frenchman, who went to Berlin with a regiment of excise and custom-house officers. Under him there were four heads of departments, and they employed a large number of *visiteurs*, *contrôleurs*, *jaugeurs*, *plombeurs*, and *commis*—*rats de cave*, or cellar rats, detested by the people. No one was exempted from their control. These cellar rats, as Carlyle calls them, had liberty to enter into all houses, at any hour of the day or of the night, to search for contraband. All foreign merchandise was prohibited, or charged with oppressive duties. The administration of tobacco was farmed out to a Frenchman for 1,000,000 dollars, and in 1768 the sovereign took for himself the monopoly of the sale of coffee; while he gave to a society the exclusive right of selling timber, both for burning and construction.³

¹ The Steelyard, or Staelhoaf, consisted of certain tenements conveyed by the King to the Hanse merchants in 1475.

² The *droit d'Aubaine* was the right of the sovereign to succeed to the estate of a foreign subject when he died intestate. The Assemblée constituante of France abolished it in 1790, but it continued to exist in several countries of Europe for some time, and was only abolished in different countries by special treaties.

³ Carlyle's *Life of Frederick II.*, vol. vi pp 368-373.

British trade with Russia was opened under peculiar circumstances. A company, formed in London in 1553, to discover a north-east passage, equipped for the purpose three ships, commanded by Sir Hugh Willoughby and Chancellor. Two of these, after a tempestuous voyage, ran into Russian Lapland, where Sir Hugh Willoughby and twenty of the crew were frozen to death; but the third, commanded by Chancellor, fell into the Bay St. Nicholas, in the White Sea. The inhabitants hastened to give notice of the event to the court at Moscow, and on the pressing invitation of the Czar, Ivan IV., Chancellor travelled on sledge to Moscow, where he was received with the greatest regard. After a sojourn of several months he then came back to England, bringing with him a letter from the Czar for Edward VI., offering the English entire freedom of trade in all his states. Soon after the return of Chancellor, in 1554, a Russian company was formed in England with the intention to establish regular relations with Russia, and Chancellor, having obtained a charter from Queen Mary, sailed on another expedition, and from that time British trade with Russia was permanently established. Russia, under the enlightened and liberal policy of Catherine II., was pursuing the sound and safe path of renouncing all monopolies. In 1766 Sir George Macartney concluded a treaty of commerce between England and Russia, which led to a considerable extension of transactions between the two countries.

Sweden in the middle of the eighteenth century was suffering from the insatiable ambition of Charles XII.; and Denmark, by a strange infatuation, was trying the effect of the mercantile system. Intent upon introducing manufactures and restoring the balance of trade, she neglected agriculture, and at great expense brought to her shores foreign manufacturers and Protestant refugees. But, unsupported by native skill, and with no natural advantages, the artificial impulse given by the state led to no practical result, and a reaction became inevitable, which rendered Denmark more than ever dependent on foreign merchandise.

Spain was by this time fully disabused of her foolish notion, that the treasures of America would for ever continue to pour into the country, whether she laboured for them or not. Constantly engaged in wars, without skill or prescience in politics, Spain stood very low as a commercial nation, and, notwithstanding all her prohibitions and restrictions, French and English traders were fast ousting the Spaniards of all the trading with the American Continent. In vain did Spain endeavour to counteract British influence in the West Indies by opening that trade to all her own subjects. In vain, for the same object, did she issue ordinances prohibiting the importation into Spain of cotton velvets and other cotton fabrics. Spanish manufactures now and then obtained fresh life and vigour, but the effort was in the end transient and

unsuccessful. With a despotic government and the Inquisition in full exercise of absolute power over persons and property, no security whatever was afforded in Spain for trade, and loud complaints reached this country of the oppressive laws and customs, which pressed hard upon British traders.

Portugal was wistfully looking back to the days of her prosperity, and, under the administration of an able but sadly mistaken minister, the Marquis de Pombal,⁴ she was trying to retrieve her reversed fortunes by a singular method. Justly conceiving that the real causes of the decadence of his country were to be found in the ignorance, idleness, bigotry, and pride of the people, he, unfortunately, strove to eradicate such evils by taking in his own hands the guidance of all the economies of the state. Imagining that too large a portion of land was employed in the culture of the vine, and too little in grain, he compelled a change of cultivation—caused the vine to be uprooted, and corn to be planted in its stead. The Portuguese were not able to spin silk like the Italians, and to remedy this he sent for Italian spinners, and compelled the Portuguese to get lessons from them. New towns were desirable, and he drew men and women away from their homes to plant them. The prices of provisions and merchandise were fixed by law. A general system of monopoly was established. Companies were chartered with many privileges. To the Oporto Company the exclusive right was granted to buy all the wine produced at home at the lowest price, and this in total disregard of the rights of foreign traders. But measures of such a character could not fail to produce utter disappointment, and, what was worse, had the effect of causing much difficulty in the relations of Portugal with foreign countries. British merchants were indignant at such proceedings. Was this the reciprocity which they were led to expect when England acceded to the Methuen treaty,⁵ by which she bound herself to admit Portuguese wines at lower duties than those of other nations? An open rupture under such circumstances seemed imminent.

British commerce with France was in a very unsatisfactory state. The Peace of Paris had been received with great disappointment by the French people, and had produced considerable discontent. Allowing that its conditions were the necessary and natural results of a defeat, the people complained bitterly of the cession of Canada, the commercial importance of which seemed to have been disregarded, whilst the islands of the West Indies ceded to England were considered of far greater value than had

⁴ Pombal was Secretary of State in Portugal from 1750 to 1777

⁵ The Methuen treaty was a commercial treaty concluded between England and Portugal in 1763, whereby England engaged to admit the wines of Portugal at a rate of one-third less duty than those of France. In 1836 the Portuguese Government relinquished the stipulations of the treaty

been represented. French finances were in great disorder. The National Debt had largely increased, and at a time when the people were suffering from bad harvests, it was a grievous complaint that persons of the highest influence were engaged in buying up all the available grain, sending it to Jersey and Guernsey, and thence importing it afresh into France at an enormous profit. When, in 1769, Terray was appointed comptroller of finance, bad faith and insecurity were visible in all the operations of the state. He arbitrarily reduced the interest and annuities belonging to the public creditor, on the plea that the debt had been contracted on too onerous conditions. And in 1771 he completed his unscrupulous administration by seizing and appropriating the capital deposited with the *fermiers généraux*, thus causing the bankruptcy of many bankers. Happily, at that very moment, Turgot was preparing himself to inaugurate a great reform. Originally of a Scottish family, Turgot first studied at the seminary of St. Sulpice, and obtained the degree of bachelor of theology; but the direction of his studies was changed when he became acquainted with Quesnay, who had just published his 'Tableau économique,' and with Vincent de Gournay, the author of the axiom, *Laissez faire, laissez passer*. On a tour with the latter in the provinces, Turgot saw everywhere the bitter fruits of monopoly; and as he witnessed a bad harvest bringing out all the evils of seclusion, he could not resist the conviction that nothing but freedom could ameliorate the condition of the people. When he became intendant, he set himself to carry into effect the views which he had published in his 'Réflexions sur la Formation et la Distribution des Richesses.' And when in 1774, on the accession of Louis XVI., Turgot became comptroller of finance, he rendered his administration illustrious by the removal of a large number of taxes, the establishment of internal free trade in corn, the abolition of the corporations of *arts et métiers*, or guilds, and by great improvements in the financial condition of the country. But Turgot remained in power only two years, and the policy of peace and retrenchment in France fell with him.

In more distant countries British trade was in the hands of chartered companies. The trade of Turkey was monopolised by the Turkey Company. The trade with Africa was in the hands of the African Company. The South Sea Company was still in existence; and also the Hudson's Bay Company and the Sierra Leone Company. Greatest of all companies, however, was the East India Company; and it was in 1763 that, after the memorable battle of Plassy, Lord Clive extorted from the Mogul, for a small annual rent, a formal grant of the administration of the provinces of Bengal, Behar, and Orissa. A transaction of such importance could not fail to excite the greatest interest, and at home not only did it raise the value of East India Stock from 260*l.* to 1,000*l.*,

but also opened the eyes of the Legislature to the necessity of imposing some check or control on the action of the merchant politicians. Accordingly, a committee of the House of Commons was appointed in 1766 to enquire into the state of the company's affairs, its charters, transactions, and treaties with the princes of India, as well as its revenues and expenditure. And the result of such enquiries was the passing of two acts, one⁶ forbidding the company to declare any dividend above ten per cent. per annum, and another⁷ prescribing that no proprietor of that or of any other company should be entitled to vote, who had not possessed his or her share for six months, or who had acquired it by legacy, marriage, or custom of the city of London, and that a declaration of dividend should not be made more frequently than on each half-year. Then, for the first time, the burden was imposed on the company of paying 400,000*l.* a year to the public, in consideration of its territorial acquisitions, and with a view to promote its trade the duty of one shilling per lb. on tea was abolished. It is marvellous to think how a company of British merchants, by their influence over the many reigning princes of India, and by their adroitness and power, little by little, succeeded in becoming a state within a state. Only by so doing they ceased, in a great measure, to be the representatives of peaceful trade, and acquired the character of conquerors and rulers.

The West India colonies were then almost the sole sources of our sugar supplies. Their resources, however, were but little developed, and their prosperity proceeded from a condition of labour and a policy of protection not likely to be of permanent duration. In 1731 a pamphlet appeared showing that Tobago, though belonging to England, was not then settled by the English, that St. Lucia was lost, that St. Vincent and Dominica were in the hands of the French; that Antigua, Nevis, St. Christopher, and Mountserrat, as well as Bermuda, Anguilla, and Spanish Town, were all capable of great improvements; whilst of the Bahamas only four were inhabited by the English. It was long indeed before the West Indies became of importance to the kingdom. Yet it was to foster these colonies that an act was passed for securing and encouraging the trade of the sugar colonies by providing that no sugar, rum, or molasses of the plantations of foreign nations should be imported into Britain or Ireland, or any of the King's dominions in America, under forfeiture of the cargo, ship, and furniture; which act was renewed in 1761.

What disgraced the trade of the West Indies at this period was the slave trade, a crime of long standing, which the Portuguese had the discredit of initiating, the Spaniards of following, and the English of improving upon.⁸ After the War of the

⁶ 7 Geo. III c. 48.

⁷ 7 Geo. III c. 49

⁸ In 1443 the Portuguese, while engaged in their discoveries, having kid-

Succession, in 1713, England gave a monopoly of this infamous trade to the South Sea Company. Then the African Company claimed the exclusive right of prosecuting the trade; and London, Liverpool, and Bristol vied with each other in advancing it. But the conveyance of negroes from Africa to the West Indies could never be a legitimate traffic. The whole process of obtaining and conveying them was criminal and outrageous. By wars got up in the interior of Africa with the sole view of obtaining prisoners, by piratical expeditions undertaken for the very purpose of making slaves, by kidnapping, subterfuges, and artifices, poor Africans in the prime of life were inveigled to the coasts. On the rivers Senegal and Gambia, on the Windward Coast, and on the Gold Coast, European merchants, principally English, a scandal to their pretended civilisation, and a disgrace to the religion they professed, had ships fitted for the reception of such slaves. Two and two they were chained and stowed on board, and with a cold-heartedness and barbarity which, at last, roused the indignation of the world, they, or such of them, at least, as survived the transit, were carried thence to work on the plantations in the West Indies. A committee of the House of Lords was appointed in 1772 to enquire into the whole subject of slavery and the slave trade; but though the report and evidence made considerable impression, exhibiting as they did facts of appalling magnitude, and the guilty connivance of men in high position in the colonies, the time had not yet come for legislative action to arrest the great evil; and many years had still to pass ere the friends of humanity were allowed to utter their complaints against so nefarious a trade. The Society of Friends, in 1754, was the first to pass a resolution against the monstrous trade. In 1772 the important dictum was pronounced by the English court of law 'that when

napped some Moors along the coast of Africa, Prince Henry ordered that they be returned to their own country; but the officers obliged the friends of the captives to redeem them, and they received in exchange ten negro slaves and some gold. A new article was thus offered to the avidity of the Portuguese, and very speedily all prejudices vanished. A charter was given to some merchants at Lagos for the purpose of trading with the Moors of the African coast, and a few vessels arrived at the island of Nar. But, instead of trading with the Moors, they made a hostile attack on them, and brought off 155 captives. A fort was afterwards built on the island of Arguin, and thence the Portuguese imported manufactured goods, which they bought in exchange for negro slaves. In 1508 the Spaniards, having found in Hispaniola that the Indian natives were not able to work mines and fields, brought thither negroes from Africa from the Portuguese settlement on the Guinea Coast. In 1562 three English ships were fitted out for Guinea, and took thence negroes for Hispaniola. In 1689 a convention was concluded between England and Spain for supplying the Spanish West Indies with negro slaves from the island of Jamaica. In 1713 England secured, by treaty, the right of introducing negroes into Spanish America at the rate of 4,800 per annum for thirty years. From 1752 to 1762, 71,000 negroes were imported into Jamaica, and sold at 30*l* each. In 1766 the governor of Senegambia reported that, in the previous fifty years, 70,000 of its inhabitants had been shipped.

a slave puts his foot on English ground he is free.’⁹ In 1785 Clarkson’s essay on the slavery and commerce of the human species—particularly the African—first appeared, and two years after the first meeting was held of the committee of a society for the abolition of the slave trade, composed of such men as Granville Sharp, Samuel Hoare, and Thomas Clarkson, backed in and out of the House by Wilberforce and William Pitt. The seal of the society was a negro in chains kneeling, and in a supplicating manner lifting up his hands to heaven. Its motto was, ‘Am I not a man and a brother?’

There was no trade with Australia and New Zealand. In 1768 Captain Cook sailed in the ‘*Endeavour*,’ a small ship of 370 tons, to the Pacific Ocean, on a scientific expedition with Sir Joseph Banks and others, to observe the transit of Venus, and in the same year he visited New Zealand, which had not been touched at by any European for a considerable time. After exploring the coast he sailed westward, and on August 19, 1770, he reached New Holland—now Australia—which he called New South Wales, and took possession of the same in the name of Great Britain. Cook went on a second voyage to the *Terra Australis Incognita* in 1772, the expedition consisting of two ships, the ‘*Resolution*’ and the ‘*Adventure* ;’ and he returned to England in 1774. Captain Cook was afterwards engaged in the discovery of the north-western passage, and he died in the Sandwich Islands in 1779. All honour to France, for, though at the time at war with England, she rendered homage to science by issuing an order to the French navy for the protection of the illustrious navigator on his return to Europe.

A great hindrance to the foreign trade of England was the existence of a cumbrous tariff. The customs were originally granted by Parliament to the sovereign on wool and leather exported. A tonnage duty on wine and a poundage on other goods imported followed; and from that time a complete tariff of duties was imposed, embracing a most extensive number of articles, levied in the most confusing manner, as old subsidies and new subsidies, one-third subsidies and two-third subsidies, petty customs and additional duties, such as to create immense embarrassment to importers and exporters. Excise duties also were very numerous. Scarcely an article of home production escaped the checks and interference of the Excise. And if we add the burden of the most restrictive navigation law ever invented, and the danger of capture which existed, even in time of peace, from either belligerents or pirates, it will be seen that the trade of England was by no means in a satisfactory condition.

Nor was there any permanent body in the Government super-

⁹ Smith v. Browne, Salk. 666; Somerset v. Stewart, 11 St. Tr., 340; Loffi, 1.

intending manufactures and commerce. Though, according to the spirit of the English constitution, the Prime Minister is primarily responsible for the conduct of national affairs, and is of necessity the framer and director of every measure affecting trade and commerce, the want of a Minister of Commerce has often been felt. Very early in the history of British commerce the state found it necessary to seek for assistance, at the hands of competent persons, in the direction of matters of trade. At first a council was summoned when an emergency arose, composed of the most prudent and experienced merchants, to advise and deliberate with Parliament. In 1318 a council was held of two merchants chosen out of every city and burgh throughout the kingdom, to consider the expediency of establishing a staple of wool in Flanders. In 1337 another council was held for a similar purpose. In 1622 King James appointed a special commission to consider the causes of the decay of trade, and especially why wool was fallen so low in price; how to prevent the export of wool; how to remedy the scarcity of money; and how to increase the wealth of the kingdom. And in 1655 Cromwell appointed his son, with many lords of the Council and about twenty merchants of London, York, Newcastle, Yarmouth, and Dover, to meet and consider by what means the traffic and navigation of the Republic might be better promoted and regulated. Charles II. reinstated that council in 1660, and immediately after reasons having been laid before the Government for a Council of Trade, showing the necessity among other things of contriving a balance of exports and imports, and enquiring the means for improving trade, a patent was issued to as many as sixty persons, with instructions to deliberate on any injuries arising to English trade from non-observance of treaties with foreign powers, and on any decay or corruption in home manufacture, and to suggest redress; also to enquire on the best means to improve native commodities, to regulate the fisheries, and to bring about a balance of exports and imports, as well as to consider matters relating to navigation, bullion, foreign plantations, &c. In 1668 Charles II. instituted another Council of Commerce to promote the advancement of the nation's trade, colonies, manufactures, and shipping, to take care of the welfare of the colonies and plantations, as well as of the trade and navigation of the kingdom, and to give a true and faithful account thereof from time to time, with their opinion and advice thereupon. In 1672 a new commission was issued; in 1673 commercial concerns were again referred to a committee of the Privy Council. Again, in 1696, a board was created, consisting partly of the principal officers of state and partly of special men, to examine and take account of the state of trade, to determine what trade was likely to prove beneficial and what hurtful, to consider by what means the former might be improved and the latter discouraged,

by what method profitable manufactures might be settled, improved, and introduced, to suggest any mode for setting to work and employing the poor, and to enquire into the condition of the plantations and how they might be rendered more beneficial. This board had a more lengthened existence, combining in its supervision both the trade of the kingdom and the colonies. But these councils and commissions were never intended to be permanent. In 1768, however, a Secretary of State for the Colonies having been appointed, a separation of the duties took place, and the board continued with the supervision of trade only; and so it was when, in 1782, the board was abolished, in consequence of an attack made upon it by Lord Shelburne and Mr. Burke.¹⁰ The business of the office was thereafter managed by a committee of the Privy Council, whose duty was to examine the Custom House account of all goods and merchandise exported and imported to and from the several ports in the kingdom as well as foreign parts, in order to inform the Government of the advantage and disadvantage of the trade of the nation with other kingdoms and states in regard to the balance of trade; and also to encourage our plantations abroad by endeavouring to promote their trade, and by discovering and encouraging such branches as were most conducive to their respective interests, as well as to those of this kingdom at large. In 1786, by an order in Council, the Board of Trade, as at present constituted, was formed.

APPENDIX.

REVENUE AND EXPENDITURE—GREAT BRITAIN.

(000 omitted)

Year ended October 10	Revenue	Expenditure
	£	£
1764	10,221,	10,686,
1765	10,928,	12,017,
1766	10,276,	10,314,
1767	9,868,	9,639,
1768	10,131,	9,146,
1769	11,130,	9,569,
1770	11,373,	10,524,
1771	10,987,	10,106,
1772	11,033,	10,725,
1773	10,487,	9,777,
1774	10,613,	9,566,
1775	11,112,	10,365,

¹⁰ A proposal was also made in the year 1780, by Mr Burke, to abolish the Mint, and place the coinage entirely in the hands of the Bank of England, but the provisions for carrying out these objects were eventually omitted from the bill for economic reforms introduced that year

TRADE OF ENGLAND WITH FOREIGN PARTS
(000 omitted)

Year	Official Value		Year	Official Value	
	Imports	Exports British and Foreign Merchandise		Imports	Exports British and Foreign Merchandise
	£	£		£	£
1763	10,429,	13,027,	1770	11,002,	12,142,
1764	9,614,	14,627,	1771	11,441,	14,629,
1765	9,910,	12,806,	1772	12,056,	14,096,
1766	10,359,	12,162,	1773	10,154,	12,874,
1767	10,971,	11,987,	1774	11,899,	13,810,
1768	10,653,	12,872,	1775	11,998,	13,033,
1769	10,644,	11,473,			

TONNAGE OF SHIPS BELONGING TO GREAT BRITAIN

Year	Tons	Year	Tons
1763	566,	1770	683,
1764	590,	1771	666,
1765	618,	1772	674,
1766	635,	1773	673,
1767	641,	1774	682,
1768	635,	1775	697,
1769	655,		

AVERAGE PRICE OF WHEAT IN ENGLAND AND WALES.

Year	s	d	Year	s	d
1763	36	1 $\frac{3}{4}$	1770	43	6 $\frac{3}{4}$
1764	41	5 $\frac{3}{4}$	1771	48	7
1765	48	0	1772	52	3
1766	43	1 $\frac{1}{4}$	1773	52	7
1767	57	4	1774	54	3
1768	53	9 $\frac{1}{2}$	1775	49	10
1769	40	8			

CHAPTER IV.

THE AMERICAN REVOLUTION AND WAR

The Colonial System.—Dissatisfaction of the American Colonists.—Taxing the Colonies —Opposition to the Tax —Alarm in England.—Fresh Agitation in America.—New Legislation —Repressive Measures —Formation of the United States —France and the American War —Holland and Neutral Rights —Russia and the Armed Neutrality —War with Holland —Appendix Declaration of the Empress of Russia to the Courts of London, of Versailles, and of Madrid on Neutral Rights —Statistics of Trade and Finance.

HAD the colonial policy of England been congenial to the feelings and advantageous to the interests of the American colonists, the further acquisitions on that continent might have had the effect of increasing their spirit of patriotism, and drawing closer the ties which bound them to the mother country. But it was otherwise. A colony was then considered in the light of a patrimony of the mother country. Spain, Portugal, France, Holland, England, each and all, adopted a colonial policy which seemed entirely to ignore the duties of the mother country towards the colonists, and to regard only their duties towards herself. The mother country alone had the right of disposing of their productions. Mexico was bound to sell all her silver to Spain. Brazil could dispose of her gold nowhere but in Portugal. The sugar of St. Domingo and Martinique had no other market but France. The tobacco of Virginia and Maryland and the rice of Carolina and Georgia could be sold only in England. Nor were the colonists more free in purchasing than in selling. They were not allowed to carry on any direct trade with other countries. By the navigation laws none but natural-born or naturalised British subjects were allowed to trade in the British possessions, and American colonists could carry on no trade whatever except in British ships. They were even prohibited from erecting any mill or engine for rolling iron, lest it should injure the iron industry of the mother country. A policy like this could not fail to irritate the feelings of the colonists, and render them peevish and discontented. ‘Why,’ said a New York paper, ‘should a people, of whom one-half were of foreign ancestry, be cut off from all the world but England? Why must the children of Holland be debarred from the ports of the Netherlands? Why must their ships seek the produce of Europe, and, by a later law, the produce of Asia, in English harbours alone?’

Why are negro slaves the only considerable object of foreign commerce, which England does not compel to be first landed on her shores?’

The American colonists had long felt the wrong and injury of such a policy, and little was wanting to animate them to resent the affront; if need be, to assert their independence. So long as France shared with England the empire of North America, and Spain was possessed of Florida, the British colonists were almost compelled to cling close to the mother country for support and protection. As soon as they became free from all apprehensions in that respect, the colonists began to realise their inherent strength, and became restive and impatient at every token of colonial dependence. ‘Colonies,’ said Turgot, ‘are like fruits, which cling to the tree only till they ripen: as soon as America can take care of herself she will do what Carthage did.’ And it was not long before an occasion presented itself for the full manifestation of her altered tone and bearing towards England.

The first budget of a new ministry is always a trying one, though in years when retrenchments and reductions of taxes may be safely introduced no difficulty need be apprehended. By a singular fatality, however, the British Government, soon after the Seven Years’ War, sought to inaugurate a great novelty in the imposition of taxes, well calculated to test rather sharply the disposition of the American colonists. With the national expenditure greatly increased, at a loss to imagine what new taxes could be imposed to meet the same,¹ and with the national debt pressing heavily on the resources of the country, the Government thought it not unreasonable that the colonies, for whose protection a great expenditure had been incurred, should bear some part, at least, of the annual burdens. For their maintenance Britain had made enormous sacrifices. In the shape of compensations and rewards large sums had been paid for their civil government. And it was not deemed very unjust if, in consideration of such sacrifices, they should be called upon to give some help in relieving the exigencies of the state. A precedent of taxing the colonies appeared to exist in an act of 1672, which, reciting that the Navigation Act² permitted certain produce of the plantations in America, Asia, and Africa to be carried to any other of the plantations free of customs duty, either of export or import, in order to prevent them coming to England duty free, imposed certain rates³ of export duties on the same. Protective duties were also levied in the sugar colonies in 1733;⁴ but the produce of such duties was exceedingly small, and was kept apart from the imperial revenue. Sir Robert

¹ Of the total revenue of 10,221,000*l* in the year ended October 10, 1764, 2,281,000*l* was from the customs, 5,027,000*l* from the excise, 302,000*l* from stamp duties, and 122,000*l* from the Post Office

² 12 Car II

³ 25 Car II c 7

⁴ 6 Geo. II c 13.

Walpole had long before suggested the propriety of taxing the colonies, but he shrunk from the responsibility of such a measure. Grenville deemed the proposition both excellent and practicable; and in committee on ways and means, on March 10, 1764, he introduced resolutions for levying certain duties in the American plantations, which were passed without opposition. Another resolution was also passed the same evening, towards the close of the sitting, to the effect that towards defraying the expenses of the colonies it might be proper to charge certain stamp duties in them; but this part of the budget was postponed till the following year. Accordingly, a bill was brought in to impose certain taxes on articles imported into the American colonies from anywhere except from Great Britain, which was readily passed into law; and the occasion was also seized for prohibiting the importation of sugar from the colonies, except in British bottoms, and restricting, and if possible putting an end to, the clandestine trade carried on between the British and Spanish West Indies, and for appointing the officers of the ships stationed on the coast revenue officers. What harm was there in the North American colonies supplying the West Indies direct with rice, flour, bread, beef, and salt fish, and getting back direct the produce of the West Indies?

No one imagined that the American colonists would offer any effectual opposition, not to say resistance, to such measures; but such confidence arose from an utter misapprehension of their present attitude. The colonists, who were extensive carriers of merchandise for their own consumption and that of the West Indies, were not prepared especially for the latter unwonted hindrance, and remonstrated in no measured terms on the subject with the British Government. Moreover, whilst they did not deny the right of Britain to tax them, they were prepared to resist an impost to which they had not hitherto been subjected. Finding, however, that a deaf ear was turned to their entreaties, and having failed in all their efforts to get the taxes repealed, a congress was summoned of representatives from the different colonies to consider the bearing of the measure on their position and interests. The congress met for the first time in October 1765, with delegates from only ten colonies, and they agreed 'that the people of such colonies were not and never could be represented in the House of Commons of Great Britain; that taxes never had been and never could be constitutionally imposed in the colonies but by their respective legislation; that all supplies to the Crown are free gifts; that for the people of Great Britain to grant the property of the colonists was neither reasonable nor consistent with the spirit of the British constitution; and that, as a measure of retaliation, they would make the utmost effort to become thenceforth independent of British goods and manufactures.' Independent of England!

How could they be? Had not colonial manufactures and industry been effectively discouraged? Had not the colonists been made dependent on the mother country for almost every article of clothing and food? Well might England have attached but little weight to such resolutions of the colonists, and have indulged in the belief that the mother country would always be able, as she had the right, to count upon the patriotism and devotion of her subjects wherever situated. A moderate amount of grumbling might have been expected, but no one ever imagined that the British Government would be thereby deterred from carrying out whatever was thought advisable for the good of the empire. Unmoved, therefore, by remonstrances or protests, the British Legislature proceeded in the following year (1765) to impose stamp duties on numerous instruments and contracts in the American colonies,⁵ the same to come into operation from November 1, 1765. But, after all, what a serious blunder this proved to be. No sooner did the news of the passing of such an act reach the colonies, than meeting upon meeting was held to protest against such policy. The stamps which arrived in New York were committed to the flames, and the determination was come to that all orders for British goods should at once be countermanded, and that everything should be done to inflict the greatest possible injury on the mother country.

The British Government had no conception of the injurious consequences of their measures on commerce and industry. The general suspension of orders from America produced of itself great alarm among the merchants and manufacturers of Bristol, Liverpool, Leeds, and Manchester; and the anxiety felt was intensified by the fact that upwards of 4,000,000*l.* due by America to this country was placed in great jeopardy. Hence complaints from all quarters and petitions poured in upon Parliament and the King, earnestly praying for immediate relief. The people were in great agitation; a committee of the House of Commons was sitting, before whom Benjamin Franklin was examined, and all eyes were turned to Pitt as the only man who could extricate the country from the great difficulty. But Pitt could not be prevailed upon to take office; and as the Grenville ministry could no longer be maintained, the Marquis of Rockingham became First Lord of the Treasury. There was no withholding the absolute necessity for retracting the mischievous policy, and the new Government boldly met the difficulty by introducing a bill to repeal the stamp act, on the plea that the continuance of the same would be attended with many inconveniences, and might be productive of consequences greatly detrimental to the commercial interests of this kingdom,

⁵ 5 Geo III c 12 The only receipts into the exchequer arising from the Stamp Act were 3,000*l.* in 1767, and 1,000*l.* in 1768.

and the same passed into law.⁶ Would that this had been done with good grace and in a manner calculated to win back the hearts of the disaffected colonists. Unfortunately, to save the principle, and almost regardless of the effect any reserve would have in encouraging a rebel spirit, another act was passed at the same time, declaring the American colonists subordinate to and dependent upon the Crown and Parliament of Great Britain,⁷ and enacting that all resolutions and proceedings of the said American colonies denying or calling into question the power and authority of the Parliament of Great Britain should be utterly null and void. The discussion of these measures in both Houses of Parliament was, throughout, serious and animated. Had the state the right of taxing the colonies? Was it prudent, was it wise, to give way to clamour and revolution? Mr. Pitt opposed the policy of the Government. 'Taxation,' he said, 'is no part of the governing or legislative power. The distinction between legislation and taxation is essential to liberty. The Crown and the Peers have equally legislative powers with the Commons. If taxation be a part of simple legislation, the Crown and the Peers have rights in taxation the same as yourselves, rights which they will claim whenever the principle can be supported by might. There is an idea in some that the colonies are virtually represented in the House. I would fain know by whom an American is represented here? Is he represented by a borough? The idea of a virtual representation in this House is the most contemptible idea that ever entered into the head of men; it does not deserve a serious refutation.' Lord Camden in the same strain said, 'Taxation and representation are inseparable. The position is founded on the laws of nature; nay, more, it is itself an eternal law of nature. There is not a blade of grass growing in the most obscure part of the kingdom which is not, which was not ever, represented since the constitution began; there is not a blade of grass which, when taxed, was not taxed by the consent of the proprietor.' These utterances of the wisest men of the day ought to have deterred the Legislature from rushing again into the blunder of levying taxes on people living thousands of miles apart, whose wants were scarcely known, whose opinions and feelings could ill be appreciated or understood. Yet, notwithstanding all such warnings, no change was made in the legislation of the country as regards the imposition of taxes in the colonies, though certain duties were removed and others placed in their stead.⁸

Can we wonder at the consequences of these fresh provocations? Where was the wisdom, where the prudence of the British Legislature at such a juncture? The passing of such an act aroused, among the colonists, a spirit of rebellion more determined than

⁶ 6 Geo. III. c. 11

⁷ 6 Geo. III. c. 12.

⁸ 6 Geo. III. c. 52.

ever. A mass meeting was held at Boston, and quite unanimous they were in resolving to defeat the act by abstaining from the use of any of the commodities so taxed, and encouraging, by every means, the manufactures of British America. At Massachusetts a similar meeting was held, which, besides agreeing to the refusal to use such superfluities, as they were called, adopted a circular to be sent to all the colonies for the purpose of seeking to establish a greater accord among themselves. Everywhere the greatest commotion and strongest feeling were excited. Indeed, a spirit of open rebellion was ready to burst out, when two circumstances occurred, which contributed greatly to fill up the measure of national indignation. The first was the appearance of a British frigate with a regiment of troops, sent over to assist the civil magistrate and the customs authorities in the execution of their duties; the second, the seizure, by that frigate, of a sloop laden with wine belonging to a Boston representative, a seizure which was followed by a riot, when the sloop was forcibly discharged in defiance of the collector of customs.

Difficult indeed was the position of the British Government in such circumstances. Doubtless it was incumbent on the Executive to see that the law should be upheld so long as it was in force, and that rebellion should, under any circumstances, be quelled. And we cannot wonder if, in repealing some of the duties imposed in previous years, care was taken to state that such repeal was not a concession to the rebellious acts of the colonists. Unfortunately, however, the measure was partial in its operation, and the duties repealed were only those levied upon articles of the produce and manufacture of Great Britain, which in their nature tended to the prejudice and discouragement of British trade.⁹ Lord North especially was very decided in his opposition to concessions. 'What is to be done?' he said. 'Shall we, while they now deny our legal power to tax them, acquiesce in the argument of illegality and give up that power? Shall we betray out of compliment to them, and, through a wish of rendering more than justice to America, resign the controlling supremacy of England? God forbid! The properest time to exert our right of taxation is when the right is refused. The properest time for making resistance is when we are attacked. To temporise is to yield, and the authority of the mother country, now unsupported, is in reality relinquished for ever.' The act was passed in 1770, but the duty on tea was left untouched, avowedly as an assertion of the supremacy of the British Parliament in the legislative and revenue concerns of the colonies. Whilst matters remained in a condition so unsatisfactory, three large ships, laden with tea, belonging to the East India Company, appeared in the Boston harbour. It was not usual for the East India Company to export tea direct to the British colonies of

⁹ 10 Geo III. c 17.

America; and under other circumstances the colonists would have rejoiced at this commencement of independent dealings with other states; but now it was different. In order to deprive the British Government of every particle of revenue from such a source, the Bostonians would not allow any portion of such tea to be landed. So by night a number of men entered the ships in disguise, discharged the vessels, and threw the valuable cargoes into the sea, rendering the adventure a complete failure to the East India Company.

Time passed on without any approach being made to a policy of conciliation between the colonies and the mother country; and it became more and more evident in England that a strong policy was necessary to bring the rebellious colonists to reason. For that purpose, in 1775, committees of both Houses of Parliament were formed, by whom all letters patent, charters, and commissions in force were ransacked and passed under review. A proposal was made to revive some acts of Henry VIII. and Edward III., whereby a special commission might be issued for trying the offenders in Britain. But this method was deemed impracticable and insufficient. A still more stringent course was thought necessary, and acts were passed suspending the landing, discharging, lading, and shipping of goods and merchandise in Boston, as well as for the better administration of justice, and the suppression of riots and tumults in the province of Massachusetts Bay. Nay, more: as if threats and restrictions could remove discontent and rebellion, other acts were passed restraining the commerce of the revolted provinces, and prohibiting them from carrying on any fishery on the banks of Newfoundland.¹⁰

We know the result. A complete and irreparable rupture ensued; and, after having directed reprisals to be made on all British ships and cargoes, and broken the shackles of that monopoly by which their commerce had been so long held in bondage, by declaring the ports of America open to all the world except Great Britain, on July 4, 1776,¹¹ the United States of America de-

¹⁰ 15 Geo III. c 10, an act to restrain the trade and commerce of the provinces of Massachusetts Bay and New Hampshire, and colonies of Connecticut and Rhode Island, and Providence Plantations, in North America, to Great Britain, Ireland, and the British islands in the West Indies, and to prohibit such provinces and colonies from carrying on any fishery on the banks of Newfoundland or other places therein mentioned

15 Geo III. c 18, an act to restrain the trade and commerce of the colonies of New Jersey, Pennsylvania, Maryland, Virginia, and South Carolina to Great Britain, Ireland, and the British islands in the West Indies, under certain conditions and limitations

16 Geo III. c 5, an act to prohibit all trade and intercourse with the colonies of New Hampshire, Massachusetts Bay, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, the three lower counties on Delaware, Maryland, Virginia, North Carolina, South Carolina, and Georgia, during the continuance of the present rebellion within the said colonies respectively, &c

¹¹ Twelve states originally joined in declaring the Republic. These were the New England colonies, originated by the Puritans, viz New Hampshire, comprising Vermont, Massachusetts, Connecticut, and Rhode Island, the state of

clared themselves to be 'a free, independent, and sovereign state, with full power to levy war, conclude peace, contract alliances, establish commerce, and do all other acts and things which independent states may of right do.' And from that day vain became the efforts of Britain to prevent the consummation of the dreaded separation between herself and the American colonies. It was hard to part with colonies so flourishing. It seemed cruel, after having been tantalised with exercising supreme and unlimited power over nearly the whole continent of America, to have to resign the reins of the best portion of it, not to an enemy after a fair trial of strength, but to the colonists themselves, who had been spoiled by over-kindness.¹² Surely such an issue was never contemplated when Mr. Grenville made the modest request that the Americans should be made to pay, at least, a small portion of the heavy expenses incurred for their protection. But matters had advanced too far. The die was cast. In vain did the British Government try to withdraw from the hostile attitude it had hitherto assumed. In vain an act was passed to repeal the tea duties, and to renounce to a great extent the right of taxing the colonies in any form. The United States became conscious of their own strength and resources; they were alive to the noble destinies which awaited them; and they resolved that force, and force alone, should decide the contest.¹³

Would that better counsel and greater magnanimity had obtained in the British Cabinet even at this last moment, and that, making virtue of hard necessity, it had accepted with good grace the inevitable consequences of separation. Any sacrifice short of actual war would have been better. Probably, indeed, thoughts of moderation and peace would have prevailed, even at the last hour,

New York, called New Netherlands, colonised by the Dutch, New Jersey, originally part of New Netherlands, Pennsylvania, founded by Penn., Delaware, originally occupied by the Swedes, next by the Dutch, Maryland, founded by Sir George Calvert, Virginia, founded by Raleigh, Carolina, North and South, a charter of which was granted by Charles II. to a number of proprietors, Georgia, owing its name to George II., founded by James Oglethorpe, M.P. In 1765 their population was about 2,000,000 European and about 500,000 of other nationalities—Mahon's *History of England*, vol. viii p. 97.

¹² George III. held that the acknowledgment of the independence of America would place this country in a state of inferiority, and be tantamount to its ruin as a great and powerful state. Lord Chatham was of the same opinion. Lord Shelburne said that when America became independent the sun of England would set. Mr. Pitt said, 'The era of England's glory is past, she is now under the awful and mortifying necessity of employing a language corresponding with her new position. The visions of her power and pre-eminence are passed away.' Coxe, describing the effect of the treaty of 1783, said, 'The Bourbon courts exulted in the success of their machinations, and confidently anticipated the speedy downfall of the British power.' The court of Vienna prophesied that England would ultimately sink in the unequal contest with the House of Bourbon.

¹³ On November 15, 1777, the thirteen colonies agreed to certain articles of confederation and perpetual union, and the confederation was afterwards replaced by the constitutional act agreed to in Congress on September 27, 1787.

had not old animosities against foreign powers entered as an additional element of discord. The United States, anxious to secure the goodwill and official recognition of other civilised states, sent Dr. Franklin and others as plenipotentiaries to the several courts of Europe. What tempting offers were made by them to France especially is not well known; but it was not long ere it became manifest that considerable assistance reached the American colonies in the shape of money and ammunition. England, suspicious of such conduct, sent a formal note to the French Government accusing it of favouring the revolt of the Anglo-Americans; but the French Government denied having given any such assistance, and for a time there was no evidence proving the fact of any actual agreement. As war, however, progressed between England and America, and any chance of reconciliation became impossible, France felt no longer any hesitation to follow her natural impulses; and on February 7, 1778, she concluded two treaties with the American Republic, one of friendship and commerce, and another of eventual defensive alliance. Nor did France keep the transaction any longer secret. Boldly she communicated these treaties to Britain, and she justified her policy by maintaining the right of France to recognise a state which had for some time asserted and achieved her independence, formed a regular government, and acted as a sovereign state. In her own judgment France was authorised by the law of nations to regard the American Republic as a *de facto* independent state; and she asserted, that by forming a treaty with that republic she had neither violated any treaty, nor interfered with the sovereign right of any state.¹⁴ France herself, it was said, had reason to complain of the interruption of her trade with that republic by British cruisers. Counter demands were advanced, and, after an angry correspondence, a declaration of war was made by both sides, followed by the recall of the respective ambassadors, the seizure of ships, and an embargo on British vessels in French ports.¹⁵ But the 'beginning of strife is like the letting out of water.'

Soon after the rupture with France the relations of Britain with Holland became disturbed. It might have been expected

¹⁴ The recognition does not imply any approbation of the acts of the rebel state. Foreign countries are not called upon to distinguish between government by right and government *de facto*. They are not judges of the right of the case. If the government seems established, if the nation accepts the same, and, above all, if it has named it, it has all the legitimacy necessary for its being recognised.

¹⁵ The order for reprisals on the part of France bears date July 16, 1778. In a subsequent order of April 5, 1779, the commencement of hostilities is directed to be reckoned retrospectively from June 17, 1778. The effect of war on the shipping trade may be judged from the fact, that the rate of insurance between London and New York, which in time of peace was two guineas, rose in 1778 to 21½ per cent, on condition of returning five guineas if the ship sailed with convoy and arrived. From Jamaica to London even 30 guineas was charged.

that a nation, so essentially commercial and maritime as Holland, would be too ready to seize the opportunity of carrying on trade with the American colonies, from which she had hitherto been shut out by the British navigation laws. And there was good reason for suspecting that at the very time when Britain was doing her utmost to compel her American colonies to return to their allegiance, the Dutch were frustrating her efforts by providing them with both arms and ammunition. It was hinted also that a treaty of commerce had been secretly negotiated between America and Holland, and there were grounds for believing that Holland was not observing in the war a strict neutrality. On the demand of the British Government, the States General of Holland issued a decree prohibiting the export of articles of war to the American colonies without a license from the Admiralty; but the Dutch continued their trade notwithstanding, and St. Eustace became the entrepôt whence the American rebels were easily supplied. In vain did the British cruisers make constant seizures of Dutch ships; in vain did they exercise increased vigilance to prevent the same. A contraband trade was pursued without diminution, and the British Government, seeing no way but compulsion, and appealing to the treaties of 1678 and 1716, whereby both countries agreed to assist each other in case of need, asked Holland to come to her aid in her war against America by supplying 6,000 men and twenty ships of war. Holland was deeply interested in the maintenance of her neutrality. She had been warned by France, that, should she join England, Dutch vessels would cease to be protected, as heretofore, by the rules that free ships should make free goods, and neutral ships might carry on their trading between the ports of any enemy, except with blockaded ports, and she therefore hesitated in giving any answer to the British demands. On both sides was Holland hard pressed, and either course seemed fatal to her commercial interests.

Pending such negotiations, Britain felt it necessary to sound the Empress of Russia as to her intentions on the war. At first the Empress made an offer of an armed mediation, on condition of her being left free to prosecute her designs on Turkey. But whilst she was hesitating on the policy she should pursue, two Russian ships were seized by Spanish cruisers, on the pretext that they were intended to provision Gibraltar. The first impulse of Russia was to take steps against Spain, and to demand immediate satisfaction. However, more prudent counsel prevailed, and she preferred seizing the opportunity for asserting and defending the right of neutral trading. Hence the famous declaration of armed neutrality issued by the Empress on February 26, 1780,¹⁶ which was communicated to the courts of London, Versailles, and Madrid. The principles contended for by that declaration were :

¹⁶ See the text of the declaration in the appendix to this chapter

1st, That neutral vessels should freely trade from port to port on the coasts of the nations at war; 2nd, That goods belonging to the subjects of belligerent powers should be free in neutral ships, excepting contraband of war; 3rd, That the Empress would consider as contraband only such goods as were so indicated in the 10th and 11th articles of her treaty of commerce with Britain; and 4th, That by a blockaded port should be understood a place the entrance of which is opposed by the attacking fleet. To this declaration the Northern powers gave their adhesion. Denmark and Sweden were the first to enter into a convention to maintain a joint fleet for their mutual defence, and both of them declared the Baltic *mare clausum*. In a short time the United States, Prussia, Denmark, Sweden, Austria, Portugal, and the Two Sicilies also joined in the armed neutrality.

As for Holland, nothing could have been more propitious to her interest than the league thus established between the Northern powers; and when, at last, her secret treaty with America was published, and Britain entered into open hostilities against her, she too was glad to accede to the declaration.¹⁷ Thus the range of hostilities continued to widen, and from a small difference with her own colony, England saw herself in open war with France, Spain, Holland, and the United States of America. Six years of calamitous war failed, however, to force the American colonies to return to their allegiance with the mother country; and, after a wasteful expenditure of lives and resources,¹⁸ Britain was obliged to bow to necessity; and the Treaty of Versailles, concluded in 1783, put an end to all differences, and admitted the United States of America to all the rights of an independent sovereign state.

APPENDIX

Armed Neutrality Declaration of the Empress of Russia to the Courts of London, of Versailles, and of Madrid.

THE Empress of Russia has so well manifested the sentiments of justice, of equity, and of moderation, by which she is animated, and has given such convincing proofs, during the war which she sustained against the Ottoman Porte, of the strict regard which she has for the rights of neutrality and the liberty of commerce in general, that she may fairly appeal to the testimony of all Europe. This conduct, as well as the principles of impartiality which she has manifested during the present

¹⁷ War was declared against Holland, December 20, 1780.

¹⁸ The total cost of the American war was estimated to be 97,599,496*l*. The public debt of the United Kingdom rose from 132,716,949*l* in 1763 to 245,586,470*l* in 1785. The American war of independence lasted seven years, and was closed by the treaty of peace signed at Paris on November 30, 1782.

war, might have inspired her with the just confidence that her subjects would likewise peaceably enjoy the fruit of their industry and of the advantages belonging to all neutral nations. Experience has, however, proved the contrary; not these considerations, nor the regards prescribed by the universal law of nations, have prevented her Imperial Majesty's subjects from being often molested in their navigation and retarded in their operations by the ships and privateers of the belligerent powers.

These vexations offered to the liberty of commerce in general, and to that of Russia in particular, are of such a nature as to invite the attention of sovereigns and of all neutral nations. Her Imperial Majesty finds herself therefore under the obligation of freeing herself therefrom by all means compatible with her dignity and the welfare of her subjects. But before coming to any serious measure, and in order sincerely to prevent all new misunderstandings, her Imperial Majesty has thought just and equitable to expose to the eye of all Europe the principles which she has adopted for her conduct, and which are the most proper to prevent all future disagreement. Her Imperial Highness does this with so much the more confidence, as she finds these principles contained in the laws of the primitive people, which all nations have a right to claim, and which the belligerent powers cannot invalidate, without violating the laws of neutrality, and without disallowing the maxims which they have adopted themselves in their different treaties and public engagements. They are contained in the following points —

I. That neutral ships enjoy a free navigation, even from port to port and on the coasts of the belligerent powers.

II. That all effects belonging to the subjects of the said belligerent powers are looked upon as free on board such neutral ships, except only such goods as are stipulated to be contraband.

III. That her Imperial Majesty, for the proper understanding of this, refers to the Article XXXI. of her Treaty of Commerce with Great Britain, which extends her obligations to all the other belligerent powers.

IV. That in order to determine what characterises a blockaded port, that description shall only apply to such places before which there are actually a number of enemy's ships stationed near enough to make any entry dangerous.

V. That these principles shall serve as rules in the judicial proceedings and sentences relating to the legality of prizes.

Her Imperial Majesty, in laying these principles before Europe, at the same time declares that she is firmly resolved to maintain them, in order to protect the honour of her flag and the security of the commerce and navigation of her subjects against any opponent; in consequence whereof she has given an order to fit out a considerable part of her naval forces. This measure has, however, no influence on the strict and rigorous neutrality which her Imperial Majesty is resolved religiously to observe, and which she will observe so long as she shall not be provoked and forced to depart from her principles of moderation and perfect impartiality. It is only on such extremity that her fleet will be ordered to act wherever her honour, interest, and necessity shall require.

In giving this formal assurance, with all the frankness so congenial

to her character, her Imperial Majesty cannot but expect that the belligerent powers, sensible of the sentiments of justice and equity with which she is animated, will contribute to the accomplishment of her salutary views, which tend so manifestly to the welfare of all nations and to the advantage even of those at war; that, in consequence thereof, they will provide their courts of admiralty, their officers and commanders, with proper instructions, analogous and conformable to the principles here above mentioned, and drawn from the primitive codes of peoples and so often adopted in their conventions.

(Signed) CATHARINA.

Petersburg, February 26, 1780

By order of her Imperial Majesty,
(Signed) PANIN.

REVENUE AND EXPENDITURE—GREAT BRITAIN
(000 omitted)

Year ended October 10	Revenue	Expenditure
	£	£
1776	10,576,	14,045,
1777	11,105,	15,259,
1778	11,436,	17,940,
1779	11,853,	19,714,
1780	12,524,	22,605,
1781	13,280,	25,810,
1782	13,765,	29,234,
1783	12,677,	23,510,

TRADE OF ENGLAND WITH FOREIGN PARTS.

Year	Official Value	
	Imports	Exports. British and Foreign Merchandise
	£	£
1776	10,180,	11,551,
1777	10,338,	10,722,
1778	8,933,	10,080,

TRADE OF GREAT BRITAIN

Year	Official Value	
	Imports	Exports. British and Foreign Merchandise
	£	£
1779	9,888,	11,893,
1780	9,956,	11,363,
1781	11,094,	9,258,
1782	8,215,	10,422,

TONNAGE OF SHIPPING BELONGING TO GREAT BRITAIN

Year	Tons	Year	Tons
1776	695,	1780	619,
1777	699,	1781	626,
1778	701,	1782	615,
1779	663,		

AVERAGE PRICE OF WHEAT IN ENGLAND AND WALES

Year		Year	
1776	39 4	1780	36 9
1777	46 11	1781	46 0
1778	43 3	1782	49 3
1779	34 9		

CHAPTER V.

MR. PITT'S PEACE ADMINISTRATION

Mr Pitt.—Increase of Taxation—Consolidation of Customs Duties.—Benefits of International Exchanges—Relations between France and England—Proposal of France for Mutual Freedom of Trade—Negotiations for a Treaty of Commerce.—More Treaties of Commerce—Trade with the United States—Relations of the West Indies to the United States—Mr. Pitt's Motion on the Slave Trade—Affairs of the East India Company—State of the Country—Appendix Arts. VI and VII of Treaty of Commerce and Navigation between France and Versailles, signed at Versailles, September 26, 1786

UNDER a system of government purely representative like that of the United Kingdom, it is not the sovereign but the first minister of the Crown who stamps the administration with the mark of his character and genius. The sovereign is, indeed, the corner-stone on which all the institutions of the country are securely fixed; but the minister is the builder who shapes and constructs the national edifice. The responsible adviser of the sovereign, and yet the representative of the people, it is the prime minister who truly holds the reins of the state; and though each branch of the administration is presided over by a minister immediately responsible for the duties connected with it, the management of the state is primarily entrusted to the head of the cabinet, and to him all the ministers are responsible. Seldom, however, has the administration been so personified in its prime minister as during the eventful government of Mr. Pitt. Just twenty-one years old when he made his first speech in Parliament, and only twenty-three when, in 1783,¹ he was appointed First Lord of the Treasury and Chancellor of the Exchequer; young, eloquent, and energetic, a minister of great talent, a man of commanding influence, for upwards of seventeen years he held absolute sway over the destinies of his country.

For many years, either from incompetency of the finance minister or from insuperable difficulties, no attempt was made to maintain an equilibrium between the revenue and the expenditure,

¹ The Pitt administration consisted of Pitt, First Lord of the Treasury and Chancellor of the Exchequer, Lord Thurlow, Lord Chancellor, Duke of Rutland, Privy Seal, Earl Gower, President of the Council, Lord Sydney, Foreign Secretary, Marquis of Caermarthen, Home Secretary; and Lord Howe, Admiralty.

whilst the taxes were, in many instances, oppressive, and the customs and excise duties were so high as to encourage an organised system of smuggling. Laws against smuggling there were in abundance, but, hazardous as it was, the temptation to it was great, and that could be diminished only by the lowering of the taxes. Tea² was a favourite article with the smuggler, so long as the duty was nearly 120 per cent. *ad valorem*; and the result was, that scarcely a third of the quantity consumed was imported in an open and lawful manner—a state of things as injurious to the revenue as it was unjust to the fair dealer. Mr. Pitt was wise, therefore, when in his budget he resolved to reduce the duty on tea to 12½ per cent., though the Treasury could ill spare even a temporary loss of revenue. Convinced, however, as he was, that the resources of the people admitted an additional weight of taxation, Mr. Pitt did not hesitate, session after session, in imposing tax upon tax, burden upon burden. Would that in the selection of these he had paid a little more regard to the incidence of taxation and to its influence on the industries of the people. We may well imagine that no small amount of grumbling was occasioned, as he levied taxes on bricks and tiles, on houses and windows, on male and female servants, on horses and coaches.

One essential benefit conferred by Mr. Pitt in connection with taxation, was the consolidation of the customs duties,³ by abolishing all the existing imposts and substituting for them one single rate of duty upon each article equivalent to the aggregate of the various duties by which it had previously been loaded. The difficulty of this reform may be conceived from the fact, that the resolutions submitted to the House of Commons for the purpose amounted to upwards of three thousand in number.⁴ Such a consolidation was not only beneficial to the public, but the revenue itself gained immensely from the simplicity thus introduced, whilst it had the effect of reducing somewhat the cost of collecting the customs duties, which was then as high as 6*l.* 7*s.* per cent. on

² In 1689 an excise duty was laid on tea of 5*s.* per lb; it was afterwards reduced to 4*s.* per lb, with a customs duty of 14 per cent. In 1745 the excise duty was reduced to 1*s.* per lb and 25 per cent *ad valorem*; but in 1759 the duty was raised, and from that date to 1784 it ranged from 65 to 120 per cent *ad valorem*.

³ The first attempt to consolidate the customs duties was made in 1660, under the act 12 Ch. II c. 4, but the duties were greatly complicated when the consolidation of customs duties was recommended by the commissioners of public accounts in their thirteenth report, dated March 18, 1785, and the recommendations were carried into effect by Mr Pitt under the Consolidation Act, 27 Geo III c 18.

⁴ The Consolidation Act contained 1,200 articles subject to duty inwards, about 300 of which were chargeable *ad valorem*, fifty articles were rated for duties on exportation, and duties were imposed on some goods carried coastwise. By the Consolidation Act all duties hitherto forming so many different funds were directed to be carried into one fund, then first called the 'Consolidated Fund.'

the gross, and 8*l.* 9*s.* 10*d.* per cent. on the net revenue. The public, however, paid much more than appeared in the public accounts, from the multiplicity of fees charged by the various officers, in part sanctioned by law, but chiefly claimed on the ground of ancient usage. And it was the more vexatious, since the fees charged differed in every port—a source of uncertainty always injurious to trade. The warehousing system not being then in existence, the watching and guarding of custom-house officers was itself annoying to the last degree, and hindered trade in a manner of which we have no idea at the present time.

More interesting, however, than the reforming of taxes and consolidation acts is the treaty of commerce with France, which Mr. Pitt was fortunate in concluding. The commercial relations between England and France commenced very early. As far back as the time of Charlemagne, a convention was concluded between the two countries with a view of exempting travelling pilgrims to Rome passing through France from the payment of customs duties upon the fine wools in gold and silver which they were in the habit of carrying with them. In 1303 a treaty of commerce was established, by which liberty was granted to merchants on both sides to trade freely in all kinds of merchandise on paying duties. In 1467, under the reign of James III., a treaty provided that it should be lawful for all Scottish merchants to navigate and trade to Rochelle, Bordeaux, and other parts of France. In 1513 a treaty of peace was concluded by which all imposts or tolls laid on merchants or others of either country within the previous forty-seven years were abolished. And many were the conventions entered into for the purpose of fostering relations of trade between the two states, though wars and contentions suspended or broke them all. In a treaty concluded with Henry IV. it was stipulated that, in the ports of London for England and of Rouen for France, all controversies between merchants should be referred to the merchants of each nation, who should be called ‘conservators of commerce.’ But this also, as well as other measures of a peaceful character, was successively confirmed or abrogated, as war or peace reigned between the two countries. In 1678 all trade with France was absolutely prohibited, and it was not resumed till the conclusion of the Treaty of Utrecht of 1713, which provided for mutual rights and privileges in courts of justice, commerce, and taxes, and the repeal of all prohibitory tariffs on both sides. But again France and England were at war, and all commercial relations were suspended.

Not was it from political causes only that the relations of commerce between England and France were thus precarious and spasmodic. Economic blunders were a prominent cause of mutual estrangement. Unfortunately the two nations, though placed in such proximity to one another, with produce and manufactures in

many respects so different, and both eminent in art, civilisation, and science, were in the habit of regarding each other not as friends and allies, but as competitors and rivals. How illiberal, how repulsive to natural law, does it seem that England and France should have so long considered each other as natural enemies, and that they should have sacrificed their best interests to petty jealousies and diplomatic quarrels! How sad that two countries which, by the diversity of their products and manufactures, seem destined by nature to be helpful to one another in supplying their deficiencies, should have been so completely alienated as to be driven to seek, thousands of miles distant, for those very commodities which they might have had so near at hand! The principles of free trade, indeed, are of universal application. Let each of us seek from the other what we cannot produce ourselves; let each of us husband and foster to the highest possible degree and excellence such articles as are natural and indigenous to our soil and industry, and so we shall best fulfil the gracious designs of Providence. Follow its dictates, and the sum total of human labour will be greater, the labourers will receive a greater reward, and the resources of the world will be rendered available for the immediate necessities of each country. Frustrate them, and we shall only reap disappointment and loss. Mr. Pitt well understood the benefit of a free exchange between the different countries of the world; and he sought to secure for both countries the benefit of their respective resources. He well knew, that whilst British industry was directed to the production of comfortable clothing, or of articles which diffuse substantial comforts, or the means of enjoyment, among the great body of the people, the French provided articles of finery, taste, and luxury, and he wished to promote a free interchange between them.

As soon as the Treaty of Versailles was concluded, in 1783, France came forward with a noble proposal, that the two countries should, in conjunction with the other powers, abolish all exclusive trading. But England was not prepared for such a liberal measure, and the British Government declined giving an answer without knowing the mind of Russia on the subject. An excellent opportunity for inaugurating a new era of commercial freedom was thus lost. Consequently the French Government, which had just dissolved her old East India Company, gave a charter to a new company, with exclusive right of trading to all countries beyond the Cape of Good Hope. The restrictive tariff of England was an object of just complaint on the part of France. When the war ended quite a rage existed in France for foreign goods, and more especially for British. But the French Government considered it unreasonable to open the French market to British goods whilst the British market was almost entirely closed to French goods, and a decree was issued that, unless a liberal system were

universally and reciprocally established, France would be compelled to prohibit the importation of foreign goods.

At this juncture it was that negotiations for a treaty of commerce were set on foot between the two countries. The treaty of peace with France, concluded in 1783, anticipated the necessity of revising the subsisting treaties of commerce, and provided that immediately after the exchange of ratifications the two high contracting parties should name commissioners to treat concerning new arrangements of commerce between the two nations, on the basis of reciprocity and mutual convenience, such arrangements to be settled within two years from the conclusion of the treaty. Mr. Pitt acted upon this, and appointed Mr. Eden, a political opponent of his, to represent England in such negotiations. France appointed M. de Rayneval a commissioner to negotiate the treaty, and they gave themselves in earnest to the work. It was a difficult task for Mr. Eden to perform, but he prepared himself well for it by obtaining all the requisite information from the merchants and manufacturers of this country, whom he examined at the Privy Council. Negotiations were then commenced, and, on April 17, Mr. Eden sent a project of a commercial treaty, completed and settled, which met with the approbation of Mr. Pitt. The British Government did not deem the proposal sufficiently advantageous, and it had to be abandoned. A new mode of negotiation was then adopted. Instead of making any alteration in the suggested treaty, the British Government sent a 'declaration' to the French, and that was replied to by a counter-déclaration, a method which occasioned much correspondence. For a time, indeed, doubts were entertained in this country as to the sincerity of the French Government, but demands were made which could not meet with acceptance, and Mr. Eden himself wrote that he could not propose the free importation of English cotton into France so long as French silks were excluded from England. The negotiations thus advanced very slowly for many months, but the treaty was at last concluded on September 26, 1786,⁵ the principal provisions of which were as follows:—That the wines of France should pay no higher duties in Great Britain than were paid by the wines of Portugal; that the duty on French vinegar in Great Britain should be reduced from 47*l.* 5*s.* 3*d.* to 32*l.* 18*s.* 10*d.* per tun; that the duty on brandy should be reduced from 9*s.* 6*d.* to 7*s.* per gallon; that the duties on hardware, cutlery, cabinetware, turnery, steel, copper, &c., should not exceed 10 per cent. in either country; that the duties on cotton manufactures and woollen manufactures should not exceed 12 per cent. in both countries, excepting those mixed with silks, which were prohibited on both sides; and that porcelain, earthenware, and pottery should pay 12 per cent. *ad valorem*.

⁵ See Arts VI and VII of the treaty in the appendix to this chapter.

These conditions were in truth exceedingly liberal, and would bear a favourable comparison with any former or subsequent treaty between Great Britain and France. Nevertheless the treaty met with a cold, if not a hostile, reception both in England and in France, each country thinking itself to have been outdone by the other. In the House of Commons Mr. Pitt had to face an organised opposition led by Mr. Fox, and the resolutions were carried only by a majority of 248 to 118. In France the government of Louis XVI. lost not a little in public favour from the supposed one-sidedness of the treaty in favour of England.

However it be, the conclusion of this treaty between France and England gave considerable stimulus to the conclusion of similar treaties between other countries. A commercial treaty was concluded between France and Russia. The United States entered into a treaty of commerce with Prussia; Russia concluded one with Austria; and, under the combined influence of peace, and better commercial relations, international trading increased considerably. The foreign trade of Great Britain was in a prosperous condition during this period. The value of imports rose from 11,500,000*l.* in 1783 to nearly 17,000,000*l.* in 1792; the value of exports, from 12,600,000*l.* in 1783 to 22,000,000*l.* in 1792.

The extension of trade with the United States of America, notwithstanding their independence of Great Britain, was, indeed, remarkable. Not a few there were in this country who feared that with the loss of the American colonies England would lose the whole of the large and growing trade carried on with the Western continent. How contrary was the result! Before the American war, from 1766 to 1775, our exports to the American colonies amounted on an average to about 2,000,000*l.* in official value. During the war the trade was, of course, all but suspended; but from 1784 to 1792 the average annual exports amounted to upwards of 3,000,000*l.* in value. From the first the progress of the new Republic of the United States of America has been rapid and extraordinary. The population increased in an unprecedented manner. Immense tracts of land were brought under cultivation. In 1778 cotton was successfully planted in Georgia, with seed brought over from the Bahamas, and Carolina soon followed the example. The shipping of the States increased ~~space~~pace. The United States Bank was established in 1791 with a capital of \$10,000,000. The resources of the country were developed in a manner altogether superior to the time when the different states were colonies of Great Britain. Unfortunately, the government strove to promote native manufactures by a protective policy; and this is the only department in which the Americans utterly failed to achieve any distinction. George Washington, it is true, recommended to Congress, in 1789, the extension of native manufactures; but he did not urge the imposition of high protective duties. 'Our commer-

cial policy,' he said, 'should hold an equal and impartial hand; neither seeking nor granting exclusive favours and preferences, consulting the natural course of things, diffusing and diversifying, by gentle means, the streams of commerce, but forcing nothing.' And Franklin urged the same course. 'Perhaps, in general,' he said, 'it would be better if Government meddled no further with trade than to protect it, and let it take its course.' Most of the statutes or acts, edicts, or arrests, and placards of parliament, princes, and states, for regulating, directing, or restraining of trade, have, we think, been either political blunders or jobs obtained by artful men for private advantage under the pretence of public good. When Colbert assembled some of the wise old merchants of France, and desired their advice and opinion how he could best serve and promote commerce, their answer, after consultation, was in three words only—*Laissez-nous faire*. It is said by a very solid writer of the same nation, that he is well advanced in the science of politics who knows the full force of the maxim, *Pas trop gouverner*; which, perhaps, would be of more use when applied to trade than in any other public concern. It were therefore to be wished that commerce were as free between all the nations of the world as it is between the several counties of England. As counties do not ruin each other by trade, so would nations benefit and not suffer from the freedom.

Upon the conclusion of the war in 1783, Mr. Pitt, desirous to deal liberally with the United States respecting their intercourse with the British colonies, introduced a bill in Parliament, by which vessels belonging to citizens of the United States would be admitted into the ports of the West India islands, with goods or merchandise of American growth or produce, and permitted the exportation from thence to the United States of any merchandise or goods whatever. But a violent opposition was made to this bill by the British shipping interest, headed by Lord Sheffield, and the bill was laid aside. Soon after, on the fall of Mr. Pitt's administration, an order in Council was issued, totally excluding American vessels from the British West Indies, and some of the staple productions of the United States were not permitted to be carried there even in British bottoms. In vain the West India planters protested against any restriction being imposed on their trade with the United States of America. Even in 1788 an act was passed, permitting the importation of American produce into the West Indies in British vessels only. Can we wonder that, with such illiberal measures on the part of England, the United States were induced to adopt a policy of retaliation?

Public opinion in the matter of the slave trade, between Africa and the West Indies especially, had by this time made considerable progress. It was not in vain that in 1772 Mr. Granville Sharpe obtained a judgment in favour of the negro Somerset in

the Court of King's Bench, which laid down the great principle that a slave attains his freedom immediately he touches British soil. A committee,⁶ which first met in a private dwelling, with no other force at their command than that of the principle of right, acting from no other motive than that of pure and expanded benevolence, and with scarcely any of those means of diffusing information which are within our reach at the present day, had so far succeeded in indoctrinating the minds of men of eminence as to the rectitude and soundness of their views, that a statesman like William Pitt was ready to advocate them side by side with a philanthropist like Wilberforce in the senate-house of England. The first effective measure adopted on the subject was the appointment of a committee of the Council of Trade in 1788 to 'enquire into the state of that part of Africa whence the slaves are brought, the manner of obtaining them, the transportation and sale of them, and the effects of the slave trade upon the colonies and the general commerce of the kingdom.' The second was the presentation to the House of Commons of a petition, which was to have been presented by Mr. Wilberforce, but which, owing to the indisposition of that distinguished leader of the agitation, was presented by Mr. Pitt. Need we say how Mr. Pitt supplied the want, how he performed his task? Lord Brougham characterised Mr. Pitt's oration on the occasion as combining with the most impassioned declamation the deepest pathos, the most lively imagination, and the closest reasoning. 'Sir,' he said, 'I trust we shall no longer continue this commerce to the destruction of every improvement on that wide continent, and shall not consider ourselves as conferring too great a boon in restoring its inhabitants to the rank of human beings. I trust we shall not think ourselves too liberal if, by abolishing the slave trade, we give them the same common chance of civilisation with other parts of the world; and that we shall now allow to Africa the prospect of attaining to the same blessings which we ourselves, through the favourable dispensations of Divine Providence, have been permitted, at a much more early period, to enjoy. If we listen to the voice of reason and duty, and pursue, this night, the line of conduct which they prescribe, some of us may live to see a reverse of that picture from which we now turn our eyes with shame and regret. We may live to behold the natives of Africa engaged in the calm occupations of industry, in the pursuit of a just and legitimate commerce. We may behold the beams of science and philosophy breaking in upon their land, which at some happy period in still later times may blaze with full lustre, and joining their influence to that of pure religion, may illuminate and invigorate the most distant extremities of that immense con-

⁶ Its founders were William Dillwyn, Granville Sharpe, Thomas Clarkson and William Wilberforce.

continent. Then may we hope that even Africa, though last of all the quarters of the globe, shall enjoy at length, in the evening of her days, those blessings which have descended so plentifully upon us in a much earlier period of the world. Then, also, will Europe, participating in her improvement and prosperity, receive an ample recompense for the tardy kindness, if kindness it can be called, of no longer hindering that continent from extricating herself out of the darkness which, in other more fortunate regions, has been so much more speedily dispelled.' This was a magnificent address, worthy of Mr. Pitt; but how is it, asked Lord Brougham, that when it came to the votes, he suffered every one of his colleagues—nay, of his mere underlings in office—to vote against the resolution, if they thought fit? Many years had to pass before the enormity and wickedness of that human traffic were fully realised, and before deliberate action was taken for its extinction. It is not, indeed, to the well-prepared oration of even so distinguished a man as Mr. Pitt that we owe the final triumph of the great cause, but to the ever active, ever plodding, ever loving work of such men as Wilberforce and Clarkson, and especially to the untiring efforts, the fervent, impassioned, and heartrending pleadings, in and out of Parliament, of the great Brougham, whose memory will ever live in the hearts of the British people. On April 9, 1791, Wilberforce introduced his bill to prevent the further importation of slaves into the British colonies of the West Indies, but it was lost by 88 to 163. On April 2, 1792, he again moved that, in the opinion of this House, the African slave trade ought to be abolished; and upon this two divisions took place, the first as to whether the abolition should be gradual or immediate, the votes being 193 for the former and 125 for the latter; the second as to whether it should be gradual or not at all, in which 193 voted for the gradual and 85 for no abolition at all. The result of the vote was eminently satisfactory at this stage, and was soon after followed by more definite action in France.⁷ Still many a year had to pass before the British Government resolved to abolish slavery. In 1806 a resolution, moved by Mr. Fox, for the total abolition of the slave trade was carried in the House of Commons; and, on Lord Granville's motion in the Lords, in the following year, the general abolition passed, making the slave trade illegal after January 1, 1808.⁸

The affairs of the East India Company, in whose hands the entire trade with Asia practically remained, continued to attract immense attention during this period. The administration of

⁷ On the 16th Pluviôse, or February, 1794, the National Convention of France decreed that the slavery of negroes in all the colonies be abolished, and that in consequence all men, without distinction of colour, domiciled in the colonies should be French citizens and enjoy all the rights secured by the constitution

⁸ 47 Geo. III. sess. 1, c. 36

Warren Hastings having been particularly distinguished for wars and conquests, was the subject of unmitigated censure. Great was the regret and moral indignation felt in this country at the atrocities committed in India under the shield of the British name; and so strong, indeed, was the feeling that such policy ill represented the dignity and honour of England, that many efforts were made to abolish the Court of Directors altogether, and to vest the government of India in the hands of commissioners appointed by Parliament. In November 1783 Mr. Fox, one of the secretaries of state, introduced a bill into Parliament for the purpose of vesting the affairs of the Company in seven principal directors or commissioners, with whom should rest the appointment of all its officers and servants, the rights of peace and war, and the entire disposal of the revenue. To such a measure the Company offered an uncompromising opposition. But Mr. Fox introduced another bill, still more decisive, for preventing arbitrary and despotic proceedings in the administration of the territorial possessions, for prohibiting the Company from making war unless for self-defence, and from acquiring or exchanging territories, and for otherwise restraining the free action of the Company. The principal question involved in these bills was, What right has the state to interfere with a chartered company? Can it touch the statutes of the Bank of England, of the universities, or of any corporation? The East India Company did its utmost to resist such an interference of the state, and Mr. Pitt joined in opposing it. After much discussion the bill passed in the House of Commons, but it was rejected in the Lords. The subject, however, was of too great importance to rest as it was; and, on the following year, one of the first measures introduced by Mr. Pitt was a bill for the better regulation and management of the affairs of the East India Company and of the British possessions in India, and for establishing a court of judicature for the more speedy and effectual trial of persons accused of offences committed in the East Indies, which became law. It was then that the Board of Control was established, or a board of commissioners, consisting of six members of the Privy Council, with instructions to check, superintend, and control all acts, operations, and concerns which in any wise relate to the civil or military government or revenues of the territories and possessions of the East India Company.⁹ The preamble of the act having formally declared that to pursue schemes of conquest and extension of dominion in India was repugnant to the wish, the honour, and policy of the nation, it expressly enacted that the governor-general should be prohibited from commencing hostilities or entering into any treaty for making war against any of the princes of the country, unless such princes should have begun hostilities or made preparations for hostilities against the Company

⁹ 33 Geo III c. 52

or any prince or state dependent upon or under the guarantee of the Company.¹⁰

An estimate of the annual produce and condition of the principal manufactures of Great Britain was published in 1783, and is given in Macpherson's 'Annals of Commerce' as follows:—Woollen, 16,800,000*l.*; leather, 10,500,000*l.*; flax, 1,750,000*l.*; hemp, 890,000*l.*; glass, 630,000*l.*; paper, 780,000*l.*; porcelain, 1,000,000*l.*; silk, 3,350,000*l.*; cotton, 960,000*l.*; lead, 1,650,000*l.*; tin, 1,000,000*l.*; iron, 8,700,000*l.*; steel and plating, 3,400,000*l.*; smaller manufactures, 5,250,000*l.* Total, 56,660,000*l.* There are no accounts of the value of rateable property in England and Wales at this period, but in 1785 the aggregate property insured in England and Wales was 133,777,000*l.*, though in 1780 only nine insurance companies were left out of twenty-two founded prior to that date. In 1784 the expenditure for the relief of the poor only was 2,004,238*l.*, it being at the rate of 4*s.* 3¼*d.* per head of the population.¹¹

There were men in England at this time who, whilst building colossal fortunes for themselves, were carrying the trade and fair name of England all over the world. London had her Coutts, Hoares, Barclay, and Baring. In 1778 Anselm Mayer Rothschild founded his banking house at Frankfort, and soon after his son Nathan established himself first at Manchester and afterwards in London, where he founded the first branch of the Rothschild bank. Liverpool had her Heywood and Cunliffe; Manchester her Peel and Potter; Leeds her Gott and Marshall; Glasgow her Tennant, Monteith, and Dale; Birmingham her Boulton and Watts; Bristol her Mile—men distinguished for their judicious management of business, eminently shrewd in observation, famous for their charitable dispositions, and founders of many of our noblest works of benevolence; plain-spoken, it may be, and possessing little refinement in taste, yet endowed with enviable good sense, and, above all, exemplary for their commercial integrity.

¹⁰ 24 Geo III sess 2, c 25

¹¹ See return on local taxation, 281 of 1871, and Mr. Goschen's report on the same, 470 of 1871

APPENDIX

*Treaty of Commerce and Navigation between France and England,
signed at Versailles, September 26, 1786.*

ARTICLE VI. The two high contracting parties have thought proper to settle the duties on certain goods and merchandises, in order to fix invariably the footing on which the trade therein shall be established between the two nations, in consequence of which they have agreed upon the following tariff, viz —

1 The wines of France imported directly from France into Great Britain shall in no case pay any higher duties than those which the wines of Portugal now pay. The wines of France, imported directly from France into Ireland, shall pay no higher duties than those which they now pay.

2. The vinegars of France, instead of 67*l.* 5*s.* 3*d.* and $\frac{1}{8}$ ths of a penny sterling per tun, which they now pay, shall not, for the future, pay in Great Britain any higher duties than 32*l.* 18*s.* 10*d.* and $\frac{1}{8}$ ths of a penny sterling per tun.

3 The brandies of France, instead of 9*s.* 6*d.* and $\frac{1}{8}$ ths of a penny sterling, shall for the future pay in Great Britain only 7*s.* per gallon making four quarts English measure.

4 Oil of olives coming directly from France shall for the future pay no higher duties than are now paid for the same from the most favoured nations.

5 Beer shall pay reciprocally a duty of thirty per cent *ad valorem*.

6 The duties on hardware, cutlery, cabinet ware, turnery, and also all works, both heavy and light, of iron, steel, copper, and brass shall be classed, and the highest duty shall not exceed ten per cent. *ad valorem*.

7 All sorts of cotton manufactured in the dominions of the two sovereigns in Europe, and also woollens, whether knit or wove, including hosiery, shall pay in both countries an import duty of twelve per cent *ad valorem*, all manufacture of cotton or wool mixed with silk excepted, which shall remain prohibited on both sides.

8 Cambrics and lawns shall pay, in both countries, an import duty of 5*s.*, or six livres tournois, per demi-pièce of 7 $\frac{3}{4}$ yards English measure, and linens made of flax or hemp manufactured in the dominions of the two sovereigns in Europe shall pay no higher duties, either in Great Britain or France, than linens manufactured in Holland or Flanders imported into Great Britain now pay.

And linen made of flaxen hemp, manufactured in Ireland or France, shall reciprocally pay no higher duties than linens manufactured in Holland, imported into Ireland, now pay.

9 Saddlery shall reciprocally pay an import duty of fifteen per cent. *ad valorem*.

10. Gauzes of all sorts shall reciprocally pay ten per cent *ad valorem*.

11. Millinery made up of muslin, lawn, cambric, or gauze of every kind, or of any other article admitted under the present tariff, shall

pay reciprocally a duty of twelve per cent. *ad valorem*, and if any articles shall be used therein which are not specified in the tariff they shall pay no higher duties than those paid for the same articles by the most favoured nations.

12. Porcelain, earthenware, and pottery shall pay reciprocally twelve per cent *ad valorem*.

13 Plate glass and glass ware in general shall be admitted, on each side paying a duty of twelve per cent. *ad valorem*.

His Britannic Majesty reserves the right of countervailing, by additional duties on the under-mentioned merchandises, the internal duties actually imposed upon the manufacture or the import duties which are charged on the raw material—namely, on all linens or cottons, stained or printed, on beer, glass ware, plate glass, and iron

And his Most Christian Majesty also reserves the right of doing the same with regard to the following merchandises of cotton, iron, and beer

And for the better securing the due collection of the duties payable *ad valorem* which are specified in the above tariff, the said contracting parties will concert with each other as well the form of the declaration to be made as also the proper means of preventing fraud with respect to the real value of the said goods or merchandises.

But if it shall appear that any mistakes have inadvertently been made in the above tariff contrary to the principles on which it is founded, the two sovereigns will concert with good faith upon the means of rectifying the same.

VII The duties above specified are not to be altered but by mutual consent, and the merchandises not above specified shall pay, in the dominions of the two sovereigns, the imports and exports duties payable in each of the said dominions by the most favoured European nations, at the time the present treaty bears date, and the ships belonging to the subjects of the said dominions shall also respectively enjoy therein all the privileges and advantages which are granted to those of the most favoured European nations.

REVENUE AND EXPENDITURE—GREAT BRITAIN

(000 omitted)

Year ended October 10	Revenue	Expenditure
	£	£
1784	13,214,	24,245,
1785	15,527,	25,832,
1786	15,246,	16,978,
1787	16,453,	15,484,
1788	17,779,	16,338,
1789	16,669,	16,018,
1790	17,014,	16,798,
1791	18,506,	17,996,
1792	18,607,	16,953,

TRADE OF GREAT BRITAIN WITH FOREIGN PARTS

Year	Official Value	
	Imports	Exports British and Foreign Merchandise
	£	£
1783	11,510,	12,613,
1784	13,493,	13,161,
1785	14,267,	13,656,
1786	13,615,	14,316,
1787	15,582,	14,317,
1788	15,842,	14,817,
1789	15,416,	16,845,
1790	16,398,	17,636,
1791	17,191,	20,010,
1792	17,036,	22,095,

TONNAGE OF SHIPPING BELONGING TO GREAT BRITAIN

Year	Tons	Year	Tons
1783	670,	1788	1,265,
1784	793,	1789	1,294,
1785	860,	1790	1,355,
1786	932,	1791	1,399,
1787	1,088,	1792	1,418,

AVERAGE PRICE OF WHEAT IN ENGLAND AND WALES

Year	s	d	Year	s	d
1783	54	3	1788	48	4
1784	50	4	1789	52	9
1785	43	1	1790	54	9
1786	40	0	1791	48	7
1787	42	5	1792	43	0

TONNAGE OF SHIPPING ENTERED AND CLEARED TO AND FROM
GREAT BRITAIN.

(000 omitted)

Year	Entered	Cleared	Year	Entered	Cleared
	Tons	Tons		Tons	Tons
1783	1,136,	1,039,	1788	1,558,	1,541,
1784	1,216,	1,050,	1789	1,587,	1,602,
1785	1,242,	1,182,	1790	1,705,	1,542,
1786	1,264,	1,236,	1791	1,773,	1,696,
1787	1,316,	1,349,	1792	1,791,	1,678,

PART II.

1793-1820.

FROM THE FRENCH REVOLUTION

TO THE

RESUMPTION OF CASH PAYMENTS.

CHAPTER I. THE FRENCH REVOLUTION AND ITS EFFECTS ON
BANKING AND CURRENCY.

„ II STATE OF FINANCE

„ III. CURRENCY AND BANKING IN FRANCE

„ IV. THE ORDERS IN COUNCIL AND THE BERLIN, MILAN,
AND FONTAINEBLEAU DECREES.

„ V THE FOREIGN EXCHANGES AND THE BULLION COM-
MITTEE

„ VI. RESUMPTION OF CASH PAYMENTS.

STATISTICS OF TRADE AND FINANCE, 1793-1820.

CHAPTER I.

*THE FRENCH REVOLUTION AND ITS EFFECTS ON BANKING
AND CURRENCY.*

State of France.—England and the French Revolution —Effect of the Revolution on the Money Market —Commercial Crisis—Government Assistance —Bad Harvets —State of the Bank of England —Failure of Country Banks —Uneasiness of the Bank of England —Suspension of Cash Payments —The Bill of Indemnity —Want of Currencies —Effects of War on Commerce —Infringement of the Treaty of Commerce with France —Retaliatory Measures —Complaints of Neutral States.—Protest of the United States —The Dutch and Neutral Trading —Commerce with Russia and Italy.

It would have been well had Europe been allowed to enjoy a longer respite from the turmoil of war, and had England been permitted without disturbance to reap the benefit of the improvements introduced in her manufacturing industry. But France willed it otherwise. The grievous famine of 1788 had completely subverted the economic policy of M. Necker, in itself not the most sound. After it came the profuse and wasteful administration of Calonne, who threw the finances of the country into still more helpless disorder; and, with the assembling of the States General, were enacted those troublous scenes which rendered France a lesson and a warning to all nations. The first measures of the States General were indeed highly commendable. They opened the Indian trade to the whole nation, abolished the pernicious and partial tax upon salt and the heavy duty upon tobacco, substituting for these a light impost upon property and annuities, duties upon patents, and stamp duties. They restored the property of the Protestants, which had been confiscated upon the revocation of the Edict of Nantes, relieved the Jews from the special burdens imposed upon them, and threw the courts of justice open to the whole people. These were substantial reforms, and of enduring benefit. But very soon the Revolution put an end to the calm and dignified demeanour of that legislative assembly. And when, in order to remedy the shattered state of the finances, the States General, rather than listen to Necker's advice to contract new loans, resolved to issue assignats, or States notes, on the guarantee of the Crown and Church property, they entered into that fatal course which could not fail to end in a

complete and irretrievable bankruptcy. With the politics of the French Revolution we have nothing to do. But politics and commerce are intimately connected, and a revolution which plunged France, and nearly the whole of Europe, into an ocean of trouble and suffering, and which, for a period extending over nearly a quarter of a century, filled the land with blood, destroyed every political landmark, and threw a nation, ever foremost in civilisation and science, at the mercy of the wildest passions, could not fail to exercise the most calamitous influence on commerce and industry. And it was long, very long, before Europe was enabled to build the waste places, and restore to life and vigour those springs of activity which throughout the sanguinary contest were very high exhausted.

The French Revolution would not have been nearly so injurious had England maintained a perfect neutrality, and avoided the danger of plunging herself and the rest of Europe into the horrors of a European war. She knew how destructive such a course would prove to her commerce and industry; she knew how much she would have to contend with, by entering into an open conflict with a powerful nation, and at a time when passions were so excited, and when public law was manifestly ignored, or left in abeyance. But there were powerful influences at work, which fed an unrelenting animosity between the two countries, and which, at last, rendered all attempts at remaining passive altogether hopeless. How far Mr. Pitt was responsible for the policy pursued towards France at this critical period, we cannot say. Perhaps a necessity from without and from within determined the action of the British Government far more than any personal inclination, or even the indiscreet advice of enthusiastic royalists. However it be, when the National Convention went the length of reversing all social institutions, dethroning and executing the monarch, and even menacing England herself with her turbulent and incendiary acts, Mr. Pitt suddenly interrupted all negotiations with M. Chauvelin, the French minister in this country, and upon that a declaration of war¹ was made by France on February 1,

¹ The French declaration of war specifically lays down the following grounds of complaint —

1 That the court of St James attempted to impede different purchases of corn, arms, and other commodities ordered in England either by French citizens or the agents of the Republic

2 That it caused several boats and ships loaded with grain for France to be stopped, in opposition to the provisions of the treaty of 1786, while the exports of the same to other foreign countries were freed

3 That, in order still more effectively to obstruct the commercial operations of the Republic in England, the court of St James obtained an act of Parliament prohibiting the circulation of assignats.

4 That, in violation of the 4th article of the treaty of 1786, that court obtained another act, in the month of January last, which subjected all French

1793, which placed the commerce and industry of France and England, and indeed of the whole civilised world, in terrible jeopardy.²

Clearly to understand what influence was exercised by the French Revolution and war on British commerce and industry, it will be well to keep distinct its action on banking and the currencies, on home and foreign trade, and on the finances of the country. The money market is extremely sensitive. Most buoyant in times of prosperity, it often suddenly changes into a state of panic at the approach of the least symptom of disaster. And we may well imagine that at a time when the price of consols fluctuated from 97½ in March 1792 to 70½ in February 1793, capital and credit also took wings and fled, leaving such merchants as depended on support to scramble as they might through difficulties of their own creation. The moment the fatal war began, commercial bankruptcies, which hitherto had been rare and of small importance, became very numerous.³ Many of them, indeed, were not the immediate consequence of the French Revolution, and in several cases were in no wise concerned with the French trade; still they were the material results of the vicissitudes from which, directly or indirectly, every branch of industry grievously suffered.

Generally, whenever the horizon becomes clouded, and confidence begins to shake, the first to succumb are those who have transgressed the strict boundaries of prudence, or embarked in hazardous and speculative adventures. But there were causes at work which could not fail to produce great disasters even to merchants not so committed. The price of colonial produce had been unusually high, from apprehended scarcity. A considerable laxity in operations of credit had for some time caused anxiety. A very irregular practice existed in country merchants acting as bankers, and circulating paper or notes payable to bearer on demand, with the option to pay them in the country or in London.⁴ In a variety of ways the commercial community was ill prepared for the sudden reverses caused by war, and a crisis became inevitable. Then the prices of nearly every article fell immensely; goods became unsaleable; credit was suspended, and over one hundred issuers of the optional notes failed, which caused the withdrawal of so much paper currency at a time when the same was more

citizens residing in or coming into England to the most inquisitorial, vexatious, and dangerous forms

² On the part of the United Kingdom an order in Council was issued on February 4, 1793, laying an embargo on all French ships in British ports, and on February 11 another order for general reprisals against France

³ The number of commissions of bankruptcy was, in 1792, 934, and in 1793, 1,956, including 26 commissions against bankers

⁴ Out of 279 country bankers issuing notes 204 issued optional notes.

than ever required by the mercantile community. No charge could be made against the Bank of England for any undue curtailment of its accommodation.⁵ Notwithstanding a heavy drain upon its treasure, occasioned by a great demand from the country, the Bank circulation continued high, and its discounts were on a large scale. But what could be done to afford some relief? Under circumstances so urgent Mr. Pitt attended a meeting held at the Mansion House with the principal merchants and traders, and shortly after, on his motion, a committee of the House of Commons was appointed to enquire into the state of commercial credit. Without loss of time the report was laid before the House, and the result was to show that the crisis was indeed extensive; that, commencing with those who had issued circulating paper without sufficient capital, the ruin had involved other houses who possessed ample funds ultimately to discharge their obligations, but who were not able to render such funds practically available; that the sudden discredit of paper had created a deficiency of circulating medium, and consequently great inconvenience in business; that the fear of unusual requirements had induced bankers to keep a large sum of money out of circulation, and materially to restrict their advances; that goods could not be sold, and orders were not forthcoming; that matters were every day assuming a more serious aspect; that great distress existed in Scotland, especially in Glasgow and Paisley; that a large number of failures had already taken place; that workmen were out of employment; and that the only remedy for the evil lay in an advance of Exchequer bills to fill the void in the currency.⁶

On the presentation of this report Mr. Pitt hastened to carry out its recommendations, and on April 30 he moved in the House of Commons resolutions to the effect that his Majesty be enabled to direct Exchequer bills to the amount of 5,000,000*l.* to be

⁵ The amount of bank notes in circulation on February 26, 1793, was 11,428,381*l.*, and on August 26, 10,838,214*l.*

⁶ The committee recommended that 'power be given to issue such bills to an amount not exceeding 5,000,000*l.*, in sums of 100*l.*, 50*l.*, and 20*l.*, to bear an interest of two and a half per cent. per day, and to be payable one-fourth on August 31 next, one-fourth in November, one-fourth in February 1794, and one-fourth in May, that power be given to the commissioners to advance such Exchequer bills to the persons applying for the same, in equal proportions of bills payable at the different periods before mentioned, on the security of goods to be deposited in the custody of officers to be named by the commissioners in London, Bristol, Hull, Liverpool, Leith, or Glasgow, or on such personal securities of a given number of persons as shall be satisfactory to the commissioners, such security to be given in a form to be prescribed for the purpose, and to be made binding on the persons giving the same to the amount for which each person shall respectively make himself security. That these advances in no case be more than 50 per cent on the value of the securities, and less at the discretion of the commissioners, and that they be made on condition that the sums so advanced shall be repaid with interest at the rate of five per cent per annum, fifteen days before the date when the respective Exchequer bills shall fall due, or earlier, at the option of the parties.'

issued to commissioners, to be by them advanced, under certain regulations and restrictions, for the assistance or accommodation of such persons as shall be desirous of receiving the same, on due security being given for the repayment of the sums so advanced within a time to be limited. To this course, however, Mr. Fox objected, and with much reason. In a speech of great force he observed, that the recommendations of the commissioners were of a most anomalous nature, and fraught with great danger. He questioned the propriety of issuing such a sum, because, if it proved insufficient, at what point were we to stop? He urged that, by entering into such an undertaking, Parliament and Government were placing themselves in a new character; that, besides the legislative and executive, they would be assuming the commercial also. And he asked, why not leave such a business in the hands of the Bank of England? If the Bank was not prepared to assist the merchants, and saw reasons for not doing so, why should the Government do it? Yet, notwithstanding these objections, Mr. Fox declared that he had not sufficient nerve to give the measure a decided opposition; and the resolutions having passed, commissioners were appointed to grant such advances.⁷ The result of the measure seemed certainly satisfactory; in so far at least that the timely intervention stemmed the current of commercial discredit, and trade revived. Soon afterwards the bullion in the Bank increased, the exchanges once more turned in favour of this country, and again credit improved. But with trade curtailed and losses incurred, with the ordinary avenues of wealth closed, and with politics still sending forth notes of war and discord, the evils were too radical to be cured by the temporary issue of Exchequer bills. Very soon fresh emergencies would arise, that would again expose the frail condition of many of the houses whose fall was for a time prevented.

And nothing could be more effective for that purpose than a succession of bad harvests. The year 1792 was most remarkable for an extremely wet summer, by which the wheat crop was injured to such an extent that it became necessary to issue an order in Council prohibiting the exportation of grain till the following summer. In 1793 spring corn was very deficient. In 1794 great damage was caused by a very hot summer and drought; and, in 1795, there were a severe winter, a spring and summer cold and stormy, and a very deficient harvest, creating exigencies to meet which not only bounties were granted for any wheat and flour im-

⁷ The names of the commissioners were Lord Sheffield, Sir Grey Cooper, Sir John Sinclair, Messrs William Poulteney, Richard Maidman Trench Chuswell, John William Anderson, Robert Smith, Samuel Bosanquet, Thomas Boddington, William Manning, John Whitmore, Francis Baring, Edward Foster, William Raikes, Robert Darell, Robert Barclay, Charles Grant, Gilbert Innes, Jeremiah Harman, and James Brogden

ported,⁸ but the members of both Houses of Parliament entered into the fruitless engagement to reduce the consumption of wheat in their families by at least one-third of the quantity consumed in ordinary times, and to recommend the practice in their several neighbourhoods. But the effect of this deficiency on the commerce and finances of the country was very serious. Such a succession of bad crops necessarily gave rise to a very large importation of corn, and with it the obligation of heavy payments to foreign countries.⁹ Besides this, large quantities of naval stores had to be bought at exorbitant prices for the war. A considerable amount of money was required to be sent abroad as subsidies, and for the payment of troops, all of which caused great demands on the Bank of England, and imposed a corresponding caution in its accommodation and discount.

Towards the close of the year 1795, the Bank caused a notice to be put on its door, to the effect that, in future, whenever bills were sent for discount to a larger amount than the directors were resolved to discount on the day, a *pro rata* proportion of the bills in each parcel, as were not otherwise objectionable, would be returned to the person sending them, without regard to the respectability of the party sending in the bills or the quality of the bills themselves. Such an announcement, coupled with an actual restriction of the issue to the extent of 3,000,000*l.*,¹⁰ threw the mercantile world into a state of great alarm; and a meeting was held at the London Tavern on April 2, 1796, complaining of the insufficiency of the circulating medium for the trade of the metropolis, which was attributed to the increase of commerce and the diminution of mercantile discount resolved on by the Bank. As the year advanced matters became worse and worse. Time after time the fear of a French invasion became very prevalent, and as an immediate attack on Ireland was apprehended, the farmers were panic-stricken and brought their produce to market. But, instead of keeping the notes of the country banks on hand, as their wont was, they sent them in at once for payment.

This unusual and sudden demand for cash had a most serious effect. Several banks at Newcastle were thereby reduced to the

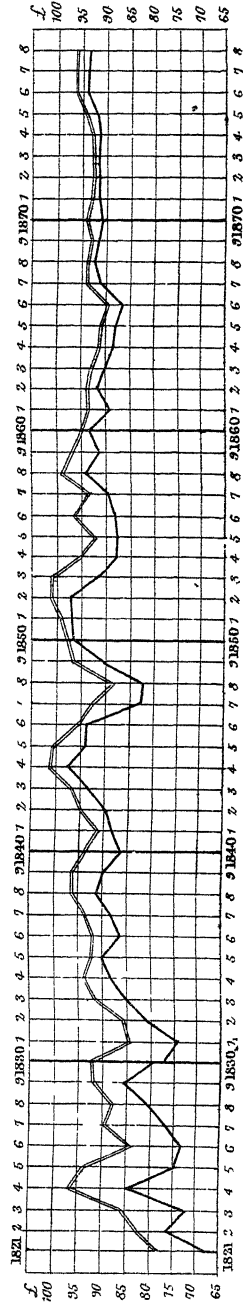
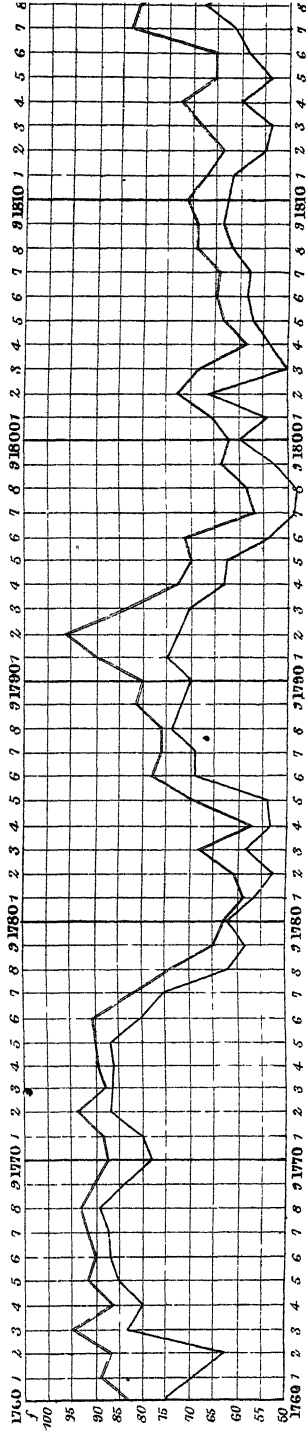
⁸ By the 36th Geo. III. c. 21 a bounty was offered of 2*s.* per qr. upon any quantity not exceeding 400,000 qrs. of wheat from Europe south of Cape Finisterre, from the Mediterranean or Africa, of 15*s.* per qr, or 4*s.* 6*d.* on every cwt., of wheat-flour from other parts of Europe to the extent of 500,000 qrs., 20*s.* per qr. from his Majesty's Colonies to the extent of 500,000 qrs., 10*s.* per qr. on all quantities in excess of those specified, 5*s.* per qr. on Indian corn and meal up to 500,000 qrs.; and 10*s.* per qr. on rye up to 100,000 qrs, and then reduced.

⁹ In 1793 there were imported 1,088,781 qrs of corn and grain; in 1794, 1,066,000 qrs, in 1795, 464,000 qrs, and in 1796, 1,570,000 qrs.

¹⁰ In the week ended February 28, 1795, the amount of bank notes in circulation was 14,017,850*l.*, in the week ended November 28, 11,503,100*l.*; and August 27, 1796, 9,427,510*l.*

HIGHEST AND LOWEST PRICES OF 3 PER CENT CONSOLS 1760-1878

Highest Lowest



necessity of suspending their specie payment. Others availed themselves of all the means in their power for procuring a supply of cash from the metropolis. And as the news of the run on the Newcastle banks spread over the whole country, applications for assistance poured in to the Bank of England from all parts. With the increase of the alarm hoarding became general, the circulation became more restricted, and the position of the Bank was seriously compromised. Meanwhile money grew extremely dear. The 3 per cent. consols fell below 50.¹¹ Exchequer bills, bearing $3\frac{1}{2}$ d. per day, were sold at 3*l.* and 3*l.* 10*s.* per cent., and even 5*l.* per cent., discount. And mercantile bills, when they could be negotiated at all, were subject to a heavy commission, so as to evade the operation of the usury laws. What materially aggravated the difficulties of the Bank were the constant demands made by the Government for advances. At one time¹² the Bank of England was prohibited from making such advances without the permission of Parliament; but as it had been the custom of the Bank to make such advances, an act was passed in 1793¹³ authorising the Bank to accommodate the Government when necessary, and the Government was not slow in taking advantage of such powers to a large extent.

The Bank could ill afford, however, to grant such accommodation, and, as early as January 15, 1795, the directors passed a resolution not to allow the sum so advanced to exceed 500,000*l.* Again and again did the Bank reiterate such a declaration, and when in August 1796 an application came from Mr. Pitt for a further accommodation of 2,500,000*l.*, the directors only consented to grant the amount on the assurance that he would see that the conditions imposed by the Bank should be punctually complied with. Pressed by these varied exigencies, and finding themselves at last reduced to great straits, the directors of the Bank—having on Saturday, February 25, 1797, only 1,272,000*l.* of cash and bullion in their coffers to meet all their liabilities, and with every prospect of a still greater run on the following Monday—sought the intervention of Government to aid them in taking some vigorous measures. Numerous interviews took place between the Bank directors and Mr. Pitt, and the result was, that on Sunday, February 26, a special Privy Council was held, when, upon the representation of the Chancellor of the Exchequer of the effect of the unusual

¹¹ When the Netherlands were given up to France on June 1, 1797, consols fell to 47 $\frac{1}{2}$, and on the receipt of the news of the battle of the Nile, August 1, 1798, consols again fell to 47 $\frac{1}{2}$, the lowest price ever reached.

¹² In the Bank Charter Act, 5 & 6 Will. and Mary, heavy penalties are imposed on the Bank directors if they purchase, on account of the corporation, any Crown lands, or if they advance or lend to the sovereign any sum by way of loan or anticipation on any part or branch of the public revenue, other than such on which a credit of loan shall have been granted by Parliament.

¹³ 13 Geo. III. c. 29, s. 41.

demand for specie in the metropolis, the Privy Council decided that it was indispensably necessary for the public service that the directors of the Bank of England should forbear issuing any cash in payment. A minute to that effect was thereupon made, and a copy of it was sent to the Bank directors, with instructions to conform themselves thereto.¹⁴

Accordingly, on the Monday morning following, the order in Council was issued by the directors, accompanied, however, with a notice of their own, in which they stated that the general concerns of the Bank were in the most affluent and flourishing condition, and were such as to preclude any doubt as to the security of its notes. We may well imagine what surprise and alarm were produced by such an announcement. Not a few demanded of the Bank bullion in a rather vociferous manner, and for a time it was impossible to foresee the effect of the bold and unprecedented policy. Happily, however, any inconvenience which might have been produced by it was of short duration, thanks to the good sense and practical wisdom displayed by those most deeply interested in so great an emergency. The merchants, well knowing that political reasons, greater far than commercial or monetary difficulties, had dictated the suspension of cash payments, resolved to support the Government. A meeting was therefore held at the Mansion House under the presidency of the Lord Mayor, and unanimous resolutions were passed to the effect that the parties present would engage to receive bank notes in all payments to be made to them, and to use their utmost endeavours to make all their own payments in the same medium.¹⁵ In a few days these resolutions were

¹⁴ The following is the text of the minute of Council — ‘At the Council Chamber, Whitehall, February 26, 1797 By the lords of her Majesty’s most honourable Privy Council Present Lord Chancellor, Lord President, Duke of Portland, Marquis Cornwallis, Earl Spencer, Earl of Liverpool, Lord Grenville, Mr Chancellor of the Exchequer

“Upon the representation of the Chancellor of the Exchequer stating that, from the result of the information which he has received, and of the enquiries which it has been his duty to make, respecting the effect of the unusual demands for specie that have been made upon the metropolis, in consequence of ill-founded or exaggerated alarms in different parts of the country, it appears that, unless some measure is immediately taken, there may be reason to apprehend a want of a sufficient supply of cash to answer the exigencies of the public service, it is the unanimous opinion of the Board that it is indispensably necessary for the public service that the directors of the Bank of England should forbear issuing any cash in payment until the sense of Parliament can be taken on that subject, and the proper measures adopted thereupon, for maintaining the means of circulation, and supporting the public and commercial credit of the kingdom at this important conjuncture And it is ordered that a copy of this minute be transmitted to the directors of the Bank of England, and they are hereby required, on the grounds of the exigency of the case, to conform thereto, until the sense of Parliament can be taken as aforesaid

‘(Signed) “W. FAULKNER” ’

¹⁵

‘Mansion House, Feb 27, 1797

‘At a meeting of merchants, bankers, &c., held here this day, to consider of the steps which it may be proper to take to prevent embarrassment to public

signed by above three hundred merchants and bankers, and so the success of the measure was secured.

Parliament being then sitting, Mr. Pitt lost no time, on the same Monday, to bring the policy adopted as regards the Bank before the House of Commons, and he gave notice that, on the following day, the Government would move for the appointment of committees of both Houses, to examine the outstanding demands on the Bank. When that motion was made considerable exception was taken to the summary measure of the Government by Mr. Fox and other members in the Commons, and by the Marquis of Lansdowne in the Lords; but the committees were appointed. Soon after, however, other committees were appointed, on the motion of the Marquis of Lansdowne in the House of Lords, and of Mr. Fox in the House of Commons, to enquire into the causes which produced the orders in Council. On March 9 a bill of indemnity was brought in, and though the discussion was put off till the reports of the committee were presented, the reports did not disappoint public expectation, and the desired indemnity was easily conceded. The situation of the Bank was represented in these reports as most favourable,¹⁶ the Bank having a large capital and abounding resources. But many causes had concurred in bringing about the eventful crisis. Since the war commenced a complete change had been made in the course of trade. The remittance of money from various parts could only be effected in a circuitous manner, in consequence of the interruptions in the means of direct communication, and the state of the countries from which the remittances were due. The increased rates of freight and insurance, the advanced price of labour and of all necessaries of life, the expenses of the war, the operations of the Government with the Bank, each and all contributed in creating an increased want of circulating medium, just at a time when, in consequence of the alarm, the security of bank notes had become doubtful. Neither the committee of the House of Commons, nor that of the House of Lords, attempted to speculate how far these circumstances were affected by the policy of the Bank. They contented themselves in giving the fullest information they could elicit on the subject. Nothing more, in fact, was wanting. Enough had been stated to restore full confidence; and the Govern-

credit, from the effects of any ill-founded or exaggerated alarms, and to support it with the utmost exertions at the present important conjuncture—

The Lord Mayor in the chair—

Resolved, unanimously, “that we, the undersigned, being highly sensible how necessary the preservation of public credit is at this time, do most readily hereby declare that we will not refuse to receive bank notes in payment of any sum of money to be paid to us; and we will use our utmost endeavours to make all our payments in the same manner. (Signed) “BROOK WATSON”

¹⁶ The total amount of demand on the Bank on February 25 was 13,770,390*l.*, and the total amount of assets, exclusive of 11,686,000*l.* due from Government, was 17,597,280*l.*, leaving a surplus of 3,826,890*l.*, besides the Government debt.

ment and the Bank, with the full concurrence of the mercantile community, gave themselves to introduce measures calculated to remove or alleviate any inconvenience which might result from the suspension of cash payment. The circulation of notes of 5*l.* was commenced, and that of notes under 5*l.* was sanctioned.¹⁷ As a substitute for guineas¹⁸ a certain quantity of dollars was issued, with a miniature impression of the British stamp.¹⁹ A copper penny was first put in circulation. And the Bank was not only indemnified for the illegality of the suspension, but formally forbidden to give cash in payments, except in stated cases, and up to a limited amount.²⁰ As for the mercantile classes, they were far from grieved at the course so taken. They rather trusted that the Bank of England, free from the incubus of a metallic currency, would be better able to act liberally in its accommodation.

It was indeed a sad disappointment to many a merchant when soon after it became known that, with or without the obligation to pay gold, the Bank of England had decided upon continuing the same cautious management, and on imposing the same effective checks on its issues as heretofore. Again, therefore, the merchants met to complain that the accommodation afforded by the Bank in the discounting of bills and notes was inadequate to the extended commerce of the country;²¹ that, without an extension of the circulating medium of the kingdom by discount of mercantile bills and notes, the general commerce of the country would be exposed to the most serious immediate and alarming evils; that the recent mark of confidence reposed in the Bank of England by the respectable association for receiving their notes, notwithstanding the order in Council of February 26, had given the merchants and traders a fair claim to reasonable and necessary accommodation; that the capital employed in the export and import trade of Great

¹⁷ The amount of bank notes under 5*l.* on August 26, 1797, was 934,000*l.* in a total circulation of 10,568,000*l.*; but in 1811, and several successive years, the notes under 5*l.* constituted more than one-half of the whole circulation.

¹⁸ A 20*s.* piece in gold was first issued by Charles II at the Restoration, and was subsequently called a guinea. But though issued at 20*s.*, in the reign of Queen Anne it rose in current value to 30*s.*, and its value was not finally fixed at 21*s.* until, on the advice of Sir Isaac Newton, a proclamation was issued in the reign of George I., and a new indenture made, dated May 6, 1718, in which the coin was designated a guinea, or twenty-one shilling piece, and was ordered to pass for 21*s.* sterling.

¹⁹ In 1797 Spanish dollars were issued, countermarked upon the neck of the bust with the King's head, but the number of counterfeits which immediately appeared in circulation rendered it necessary to withdraw them, and, in 1804, dollars, restamped at Birmingham with the effigy of the King, were substituted for them.—*First Report of the Deputy Master of the Mint*, p. 7 (1871).

²⁰ 37 Geo. III. cc. 28, 32, 40, 45.

²¹ The annual average amount of commercial paper under discount at the Bank was, in 1797, 5,350,000*l.*, 1798, 4,490,600*l.*; 1799, 5,403,900*l.* On the week ended February 25, 1797, the amount of Bank of England notes in circulation was further reduced to 8,640,250*l.*, but in May it had increased to 10,892,870*l.*, and in the week ended February 23, 1798, to 13,003,780*l.*

Britain had amounted, on an average of the last six years, to forty-five millions per annum; that there were always two months' supply of merchandise in the custody of the merchants and traders; and that a discount accommodation to such proportion, backed by such security, might be afforded without risk. These resolutions were communicated to the Bank directors; but the answer was unsatisfactory, for the directors were unprepared to adopt any fixed plan, or to pledge themselves to advance any specific sum; and, whilst willing to be as helpful to trade as possible, their transactions with the Government were far too involved to allow them to be liberal towards the merchants. By degrees, however, confidence was restored, and with it the want of currency ceased to be a subject of public grievance.

Perplexing and disastrous as were the effects of war on banking and commercial credit, still more injurious was its influence on foreign trade. The business of the world can be carried on safely and advantageously only in time of peace. Commerce is the handmaid of peace. With the introduction of war, public attention is at once diverted from industrial to military pursuits, the principal marts of merchandise become the scenes of warfare and bloodshed, the sea ceases to be the highway of peaceful industry, the finances of the nation are paralysed, and capital and industry take wing to happier regions. Nothing can be more fallacious than the notion that war can, under any circumstances, be permanently favourable to commerce. It may create for a short time an extraordinary demand of certain articles for military and naval purposes, thereby rendering to certain industries temporary benefit. But that produces only a passing gleam of commercial activity. The ultimate results are, without fail, the destruction of property, the impoverishment of the masses, and the overturning of settled industries.

In the case of the war of the French Revolution the circumstances incident to war were immensely aggravated by a practice of warfare introduced by the belligerent parties altogether repugnant to the dictates of international law. Long before war was declared between France and England complaints were made on both sides of the infringement of the treaty of 1786. On the part of England it became almost a necessity to prohibit the circulation of assignats as well as the export of arms, ammunition, and naval stores; and with straitened resources at home there was some justification for the prohibition of the export of grain and flour. On the part of France she was not likely to encourage any longer the importation of British goods. It became, in fact, too evident that the altered state of relations between France and England and the new exigencies created by the war were quite irreconcilable with the policy of freedom which that treaty of commerce had established.

Unfortunately France associated the measures taken by England with the unfriendly position which she had assumed, and considered them as so many provocatives of hostility. As soon, therefore, as war was openly declared, in 1793, the National Convention of France passed a decree authorising the French navy to seize and carry into the ports of the Republic all neutral vessels laden with merchandise. And England met the unwonted provocation by the issue of orders in Council laying an embargo on all French ships, and granting general reprisals against France. As the animosity between the two countries increased the French began to regard all foreigners, and especially the English, with peculiar suspicion, if not hatred. In August the Convention declared that all foreigners, natives of countries at war with France, should be subject to arrest, that their effects should be put under seal, and that all English, Scotch, Irish, and Hanoverians, subject to the King of England, should be arrested and their property confiscated. Not content with this, a decree was also issued, prohibiting, throughout the territories of France, the use of English merchandise, and ordering all persons directly or indirectly importing, introducing, selling, purchasing, or permitting the introduction of such to be imprisoned in irons for twenty years. If it was not in the power of England to retaliate in measures of this nature she did not hesitate to take means for destroying the French trade and for hindering, by every means in her power, the entry of provisions and merchandise into France. Nay, England did more than that. By a system of treaties and alliances, as well as by agreements of subsidies, she raised all Europe against her. The treaties concluded with the principal powers provided that the ports of such countries should be shut against French vessels; that the exportation of warlike and naval stores, as well as of wheat and other provisions, should be prohibited; and that all such nations should unite in their effort to prevent neutral powers from affording any protection, direct or indirect, to the property and commerce of France. Need we comment on measures like these? The utter disregard of neutral rights shown by the first decree of the Convention; the mad hatred of France against British subjects and British goods, as if that would in the least affect the policy of England; and, finally, the British effort to raise up a European conflagration, one and all were acts of barbarism utterly unworthy of civilised states.

The evil of such measures was, that they inflicted even greater injury on states which had nothing whatever to do with the war than on France herself. A few countries which stood in danger of being subjugated by France applauded any effort that might have a tendency to keep her in check. But neutral powers, the Northern especially, loudly resented this interference with their trade and navigation, and positively asserted their determination to insist on

their rights. Entirely dependent for their trade on free navigation, and accustomed to carry on their trade between belligerent powers, and to supply contending nations with their produce, Denmark, Sweden, and Norway saw, very speedily, that the pretensions of France and England would, if not resisted, altogether destroy their commerce; and therefore, in 1794, they entered into a convention for the defence of their mutual rights.

But another power, still more formidable, the United States of America, was interested in securing the freedom of her ships in European waters. At first, when both French and British cruisers were instructed to take enemy's property found in neutral vessels, an exception was made in favour of American ships; but the privilege was not long maintained, and consequently the remonstrances of the United States Government were not very measured. When, however, the British cruisers went so far as to impress or to wrest,²² by force, British mariners out of American ships, the Americans were not disposed to condone the offence, and, both against England and France, the cabinet of Washington thundered its protests. Anxious to bring about a collision between England and the United States, France, in answer to such protests, made a show of recognising neutral rights by offering to relax her navigation law in favour of neutral countries, and by opening the ports of her colonies to every neutral flag, concessions which she might well make at a time when she was shut out from all her colonies. But soon after the issue of a decree to that effect, she ordered her ships of war and privateers to seize and carry into the ports of the Republic any merchant vessel wholly or in part laden with provisions, being neutral property, bound to an enemy's port, or having on board merchandise belonging to an enemy. Nor did England remain behind France in restricting still further neutral trading. Little caring for the interests of neutrals, she issued instructions to British cruisers, authorising them to stop all vessels laden wholly or in part with corn, bound to any port of France, or any port occupied by French armies, making provision, however, for indemnifying the owners and releasing the crews.

Yet, notwithstanding these difficulties, our commerce with the United States was increasing at a rapid pace. In 1793 the imports into England from the United States amounted to 903,000*l.*, and the exports to 3,513,000*l.* In 1798 our imports thence amounted to 1,800,000*l.*, and our exports to the United States to

²² The power of impressing men for the sea service was long held by England as a prerogative of the Crown, though it was submitted to with great reluctance. The practice was deduced from the maxim that private mischief had better be submitted to than public detriment and inconvenience should ensue. The prerogative, however, could at most extend within British soil and British territory, and it is quite clear that when a British cruiser entered an American vessel in order to take therefrom supposed British subjects, he far exceeded the limits of such prerogative.

7,000,000%. The United States benefited immensely by the war, and it was then that their maritime resources were materially developed. With a large number of merchant ships, and in an excellent geographical position for carrying on maritime operations with distant regions, the United States could, in many cases, oust Britain from her accustomed traffic. A great part of West India produce was carried to America for the purpose of being reshipped for Europe in neutral bottoms. American produce was in great demand for the armies and navies of the belligerent powers; and, better than all, the productive power of the United States was growing apace. We have mentioned already that cotton had been successfully introduced into Georgia and South Carolina; but hitherto the operation of separating cotton from the seed was excessively slow. In 1793, however, Whitney invented a machine for the purpose, which did for the planters of the American states what the genius of Arkwright and Watt did for the cotton manufacturers of England. Previous to 1790 the United States did not export a single pound of cotton: Whitney's invention came into operation in 1793, and, in 1794, 1,600,000 lbs. were exported. For many years England was most anxious to conclude a treaty of commerce with the United States; yet the treaty, which was concluded by Lord Grenville and Mr. Jay on November 19, 1794, was not accepted by the House of Representatives of the United States till April 30, 1796, and was not sanctioned in this country till 1797.

British trade with Holland had been for some time considerable, and in 1793 and 1794 the exports thither amounted to upwards of 1,600,000%.; but the operations of the French in that territory put an end to nearly the whole trade, and in 1795 our exports barely amounted to 100,000%. When Holland was invaded by France, England extended to her all the restrictions imposed against France. On February 9 instructions were given to the commanders of British ships of war and privateers, to bring into the ports of the United Kingdom all Dutch vessels bound to and sailing from any port of Holland. And on September 15 an order in Council was issued for general reprisals against the Dutch.²³ But the Dutch were not free to act as they pleased, and it was only under the dictates of their invaders, the French, that they issued a proclamation prohibiting the importation into the United Provinces of any British produce and manufacture.

The commercial treaty concluded with Russia in 1766 having been allowed to expire in 1793, a new commercial treaty was concluded, the preamble of which set forth the desire of the King of

²³ An order in Council for granting general reprisals against Spain was made on November 9, 1796. In 1784 the customs authorities seized eight bales of cotton which arrived in a merchant vessel at Liverpool, on the ground that it could not be a native production, and that therefore it was contraband.

Great Britain and the Emperor of Russia thereby to promote the commercial prosperity of their subjects. Yet by a strange inconsistency, soon after its renewal, the Russian Government issued a ukase prohibiting the importation into Russia of a large number of articles, principally of British manufacture.

With the Italian states trade was greatly disturbed. On August 29, 1798, an order in Council was issued declaring the coasts and port of Genoa, and those of the territories of the Pope, as in a state of hostility with Britain. On April 26, 1799, an embargo was laid on all ships bound to the territories of the Grand Duke of Tuscany; and on August 17, 1803, letters of marque and reprisals were issued against the Ligurian and Italian republics. As for Venice, she whose power and industry were supreme in the Middle Ages—Venice, once the queen of the Adriatic, the home of mariners, and the great entrepôt of Eastern produce long before the English and the Dutch were heard of on the vast ocean—she of whose dockyards Dante said—

One here a vessel builds, another there
Caulks that which many voyages had made;
One strikes the prow, one hammers at the poop;
One mends a main, and one a mizen sail,
One shapes an oar, another twists a rope,
So, not by fire beneath, but art Divine,
Boiled up thick pitch throughout the gloomy vale,
Whose viscous splatterings all the margin line—

Venice, by the treaty of Campo Formio in 1797, ceased to be a republic, and for ever to have even an independent existence. Everywhere there were confusion and reverses, and commerce and navigation had either to relinquish their peaceful mission altogether, or to encounter dangers and risks baffling all calculations.

CHAPTER II.

STATE OF FINANCE DURING THE WAR OF THE FRENCH REVOLUTION.

Financial Exigencies—Hoarding of Treasure—Early Modes of Borrowing Money—Commencement of the National Debt—Debt at the Revolution in 1688—The National Debt from Queen Anne to George III.—Perplexity at the Growth of the Debt.—The Sinking Fund.—Loans contracted by Mr Pitt—The Loyalty Loan—The Income Tax.—Review of Mr Pitt's Financial Policy—Public Income and Expenditure, 1760–1820.

To realise the injurious influence of war we must turn our attention to the finances of the nation during this eventful period. It is easy to declare war, but we cannot raise and maintain large armies, build, equip, and put in commission huge ships of the line, and secure the aid of needy allies and mercenary troops, without incurring a heavy expenditure. No greater evidence, in truth, could we possess of the wonderful power wielded by Mr. Pitt at this momentous crisis, than the influence he exercised, the hold he obtained on the leading capitalists, with whom, after all, it rested to supply the necessary funds. Often he must have been at a loss how to solve the difficult dilemma of negotiating new loans and imposing tax upon tax, and it must have been an irksome task to him to knock so frequently at the door, either of the Bank of England or of the few bankers and money dealers who had then the monopoly of capital. We know that where there is no competition a contract is always made at great disadvantage, and we may well fancy how ill Mr. Pitt fared when he had no other alternative but to recur again and again to the same parties, who formed one united band, for the negotiation of his successive loans. Nor could there be any disguising of the pressing necessity. The revenue of the country was far from meeting the annual expenditure.¹ The diagram herein annexed of the public income and expenditure from 1760 to 1820 shows that the ordinary income of the country has never been sufficient to meet the exigencies of war. Fresh taxes cannot be imposed without regard to the resources of the nation. If war is to be continued it must

¹ The total net income of Great Britain from customs, excise, stamps, taxes, post office, and other receipts, in 1793, was 18,131,342*l*, and at about that limit it continued till 1799, when it increased to 31,783,084*l*. The total expenditure meanwhile increased from 35,118,154*l* in 1793 to 86,163,816*l* in 1799.

be with borrowed money; and we need not be surprised if under such circumstances we find Mr. Pitt consenting to almost any terms in order to obtain the wherewithal to pay for the armies and navies, and to meet the many other exigencies of war. The wonder is whence the money came from. Had the millions, yearly expended, been accumulated from the labour of former years? Did they represent the actual saving of the nation? We fear they did so only to a limited extent. Past earnings were indeed used almost to the last farthing, but future earnings were also mortgaged. And in so far as the amount expended really represented the earnings of previous labour, it was not that of England alone, but that of the whole of Europe—aye, of America also, whence came large amounts that were, so to say, hypothecated.² England being then probably the safest state in Europe, foreign capitalists invested their funds more readily in British than in any other securities. Only England became indebted for it all, and she is still bearing the burden on her shoulders.

The story of the national debt³ is an interesting one, and before we enter into the immense additions made to it in consequence of the French Revolution and war, it may be well to see how the nation came to adopt this method of borrowing. The resources of national credit were not known among the ancients; consequently, in time of peace, they used to amass stores of wealth to meet the contingencies of war. Cyrus, it is said, accumulated a considerable treasure, and the treasure of Ptolemæus Philadelphus was estimated at 74,000 talents. Alexander found at Ecbatana 38,000 talents. Tiberius had amassed vast amounts of sesterces, which Caligula wasted in one year. Cæsar seized a treasure at the battle of Pharsalia, and in later times Charles V., Henry IV., Popes Paul and Sixtus V., and the Swiss Cantons each amassed treasures for their wars. Napoleon, too, made use of a treasure found in the crypt of the Tuileries for the battles of 1813 and 1814, and large sums were understood to be buried in the fortress of St. Petersburg previous to the Crimean war. But whatever may have been done in the direction of hoarding in ancient times and by other nations, England and France had no resources of that nature when they entered into their destructive enterprises.

The earliest traces of a state borrowing money for national purposes may be found in the history of Venice. In 1170, the finances of that republic having fallen into a state of disorder, in consequence of a disastrous conflict with the Mussulmans and a war with Frederick Barbarossa, the Great Council raised a forced loan, for the interest of which the public revenues were pledged.

² The amount of foreign property in the British funds on November 24, 1810, was 14,566,994*l.* Stocks, and 5,760*l.* Terminable Annuities.

³ See *Return of Income and Expenditure, 1688-1869* (366 of 1869), *History of the National Debt*, by J. J. Grelher, London, 1810.

In England the early sovereigns, experiencing great difficulty in raising the necessary income, not only anticipated the revenue by tallies,⁴ but frequently resorted to borrowing money, sometimes from the clergy, often from the Jews⁵ and foreigners, and occasionally by the sudden levying of forced or compulsory loans. Henry III. pawned the Crown jewels, the regal ornaments, and his very robe of state to get funds. As a security for the repayment of a loan of 200,000*l.* granted to her by the citizens of London, Queen Mary, in 1558, mortgaged land; Queen Elizabeth resorted to Hamburg, Cologne, and Antwerp for small loans, paying 10 to 12 per cent. interest; and King Charles, in 1625, sent the Duke of Buckingham to Holland to borrow 300,000*l.* on the pledge of the Crown jewels. He also borrowed money from the farmers of the customs, and afterwards the House of Commons took from them their new lease, leaving them without any security. Privy seals and letters patent were also used as securities for loans. But the sovereign was wont in olden times to contract debt upon his own authority and on his own account. It was only during the reign of Henry VI. that the burden of the debt was first shifted from the King's shoulders to those of the nation. In 1664 a more formal and systematic mode of raising money was inaugurated. The sum of 1,250,000*l.* was obtained by tallies of loan and orders of repayment. But the repayments were suspended in 1672, and the Treasury only issued the legal interest at 6 per cent. Even this payment stopped in 1685, and a suit, protracted for about twelve years, which ended by a judgment against the Crown in 1697, was set aside. Two years after, however, an act was passed charging the hereditary revenue with interest at 3 per cent. for the principal sum, subject to be redeemed upon the payment of a moiety thereof, or 664,263*l.*

⁴ The word 'tallies,' derived from the French, signifies cutting. The tallies were pieces of wood cut in a peculiar manner of correspondency. for example, a stick or rod of hazel, or some other wood, well dried and seasoned, was cut square and uniform at each end and in the shaft. The sum of money which it bore was cut in notches in the wood by the Cutter of the Tallies, and likewise written upon two sides of it by the Writer of the Tallies. The tally was cleft in the middle by the deputy chamberlains with a knife and mallet, through the shaft and the notches, whereby it made two halves, each half having a superscription and a half part of the notch or notches. A notch of such a largeness signified M l, a notch of another largeness, C l, &c. It being thus divided or cleft, one part of it was called a tally, the other a counter-tally. And when these two parts came afterwards to be joined, if they were genuine, they fitted so exactly that they appeared evidently to be parts the one of the other.—Madox, *History of the Exchequer*, fol ed p 709

⁵ King Henry III borrowed of Richard, Earl of Cornwall, 5,000 marks sterling, and for securing the payment thereof assigned and set over all his Jews of England to the said Earl, and bound them to pay the Earl 3,000 marks, which they owed to the King, at certain terms or days, under pain of forfeiting 500*l.* for every default of payment, and gave the Earl power to distrain them by their chattels and bodies for the same.—Madox, from Roll of 39th Henry III, anno 1253.

At the time of the revolution in 1688, the whole amount outstanding on tallies of loan, excluding the bankers' debt, contracted in consequence of the shutting of the Exchequer in 1672, was 84,888*l.*, which was issued in anticipation of the duties on French linen, besides arrears due to the army and navy amounting to 300,000*l.* But the war expenditure incurred under successive reigns, without regard to present means for discharging the same, necessitated the raising of large sums by loan in addition to increased taxation.⁶ At first such sums were raised in the ordinary mode by tallies of loan charged on and in anticipation of various duties. In consequence, however, of the large amount required, the several funds thus burdened proved wholly insufficient to meet the charges upon them, and the tallies fell to a heavy discount. It then became necessary to raise money by loan in other ways, and the first operation was made in 1692 by the commencement of the system of government life annuities⁷ and tontines,⁸ followed soon after by long annuities. But the sums obtained even in this manner were far from sufficient. A better plan was, however, suggested. Encourage the erection of a great national bank. Let it lend its capital to the state at a handsome rate of interest. Let state security, as good as money, be granted, and in return for the accommodation given to the state let it have monopoly and privileges. The idea was brilliant in the extreme. At a time when but few opportunities were offered for investment, and when commercial adventures were exceedingly dangerous and speculative, money-holders were easily persuaded that they could do no better than lend to the state at a high rate of interest, whilst the suggestion of a great national bank, with the exclusive monopoly of banking, could not fail to be popular. And so the Bank of England was forthwith incorporated in 1694, and 1,200,000*l.* was

⁶ The war in Ireland, and against France, 1688 to 1697, entailed an expenditure of 32,643,000*l.*

⁷ Under the 4th W. & M. c 3, 1,000,000*l.* was authorised to be raised, for which the contributors were to receive 10*l.* per cent per annum for seven years, and afterwards 7*l.* per cent on the lives of their nominees, with benefit of survivorship till the number was reduced to seven. In 1694 life annuities were granted for one, two, or three lives at the option of the purchasers. (See a paper on the 'Financial Statistics of British Government Life Annuities,' by Frederick Hendriks, Esq., *Journal of the Statistical Society*, vol. xix 325.)

⁸ A tontine or annuity, with benefit of survivorship among the subscribers or nominees, was first proposed by Tonti, a Neapolitan, in 1653. The first time a tontine was tried in England was in 1692, in the reign of William III., under 4 W & M c 3, for 1,000,000*l.*, in shares of 100*l.* each. There were 1,002 nominees. The age of the oldest male life nominated was 46, and female life 51. The tontine annuity expired on July 5, 1783, by the death of the last nominee. The second tontine was in 1766, but it almost wholly failed. The third and last English tontine was created in 1789, under 29 Geo III c 41, when it was proposed to raise 1,002,500*l.* in sums of 100*l.* 5*s.* each. The total amount raised was 1,002,140*l.*, but the contractors not being able to complete the subscriptions on these terms, the several contributors were allowed in the following year, under the act 30 Geo. III c. 45, the alternative of a long annuity.

advanced by it to the state at 8 per cent. A few years after another 2,000,000*l.* was obtained on like terms from the East India Company, and thus the foundations were laid of our present national debt.

At the accession of Queen Anne in 1701, the funded debt of the nation was 3,200,000*l.*, and the unfunded 9,352,000*l.*; but her reign was signalised by the war with France to humble the Bourbons and to deprive Philip of the crown of Spain; a war which lasted ten years, during which the finances continued in a wretched condition. Though heavy war taxes were raised, by the conclusion of Queen Anne's reign in 1713 the funded debt rose to 26,000,000*l.*, and the unfunded to 8,600,000*l.*⁹ Public credit was then extremely depressed, and the securities of the state were at a discount of 40 to 50 per cent. in the market. To remedy the evil the Government allowed the Bank to purchase Exchequer tallies and other securities to the amount of 1,000,000*l.*, and upon condition of its withdrawing them from circulation the Bank was permitted to add the amount to the capital as so much money lent to the Government. The reign of George I. was one of uninterrupted peace; yet a considerable sum was obtained from the South Sea Company; and, at the conclusion of his reign in 1727, the funded debt of the United Kingdom rose to 48,000,000*l.*, and the unfunded to 4,531,000*l.* Some time afterwards the Spanish war¹⁰ took place, which caused another large increase of debt, so that, in 1749, the funded debt amounted to 71,500,000*l.*, and the unfunded to 6,000,000*l.* After it occurred the Seven Years' War, and the debt increased to 129,000,000*l.* funded and 35,000,000*l.* unfunded. No change was made in the public debt from 1763 to the commencement of the American War in 1776; but by the end of it, when the finances were somewhat organised in 1786, the nation found itself burdened with the heavy sum of 239,000,000*l.* funded and 6,300,000*l.* unfunded, which rose to 234,000,000*l.* funded and 14,000,000*l.* unfunded on January 5, 1793.

This increased legacy of debt which the American war left behind pressed hard on the conscience of the country and staggered her best politicians; the more so at a time when the moral sense of the nation was more alive to the duty of paying, not only the interest but the entire capital of the debt, than it has ever since been. Not a few indeed prognosticated a national bankruptcy; all dreaded the consequences of such a grievous burden on the industries of the nation. And there were not wanting physicians ready with their remedies.¹¹ Dr. Price came forward with his appeal to

⁹ The war of the Spanish Succession, 1702-1713, cost this country 50,684,000*l.*

¹⁰ The war with Spain, 1718-1721, cost 4,547,000*l.*, and in 1739-1748, 43,655,000*l.*

¹¹ Numerous were the writers on the national debt. They included the Earl of Stair, Earl Stanhope, Lord Newhaven, Lord Dundonald, Pulteney, Lord Bath, the Bishop of Cloyne, Baron Gilbert, Sir Matthew Decker, Sir John Dalrymple, Sir John Barnard, Edmund Burke, Samuel Johnson, Daniel Defoe, Mr. Eden,

the public, and with his plan for redeeming the public debt. Another writer published his 'Thoughts on Paying the Debt by a Lottery, the Prizes to arise out of a Diminution of the Annual Interest.' Another wrote on the 'Dangerous Situation of England.' Another published a pamphlet entitled 'Machiavel's Infallible Means to Pay off our Debt.' And experience having proved beyond all doubt the utter inadequacy of the plan of imposing certain duties and appropriating the produce to the payment of interest, and to the eventual cancelling of the debt, the only feasible way seemed the renewal of the sinking fund, which had been tried before with some success. The scheme was first suggested by Earl Stanhope in 1716 under the administration of Walpole, when the sum of 32,000*l.*, saved in the interest on the capital due to the Bank of England and the South Sea Company, was left to increase at compound interest.¹² By 1727 the fund thus created paid off all the redeemable debt not subscribed into the South Sea stock. On that year, a reduction having been effected in the interest of the debt, that saving was also allowed to swell the sinking fund, so that the amount increased to 1,000,000*l.* per annum. For a time the scheme was indeed a great success, and an address of congratulation, full of the brightest anticipations, was presented to the King on the subject. The nation believed in the sinking fund, and so certain was it of the wonderful effect it would produce on the crippled state of British finances, that any sacrifice would have been cheerfully made rather than interfere with its working. But, alas! in an evil hour the spell was broken, and 200,000*l.* were drawn out of the fund for the service of the year—a precedent afterwards followed on other emergencies.

Confidence in the wonder-working sinking fund had in truth been rudely shaken when, on the suggestion of Dr. Price, Mr. Pitt in 1786 nominated a committee of the House of Commons to enquire

Sir John Sinclair, Dr. Price, Henry Hartley, Arthur Young, Dr. Shebbeare, &c. The following works may be consulted.—*The National Debt no National Grievance*, 1768; *A Scheme to Pay off the National Debt by a Repeal of the Marriage Act*, 1767; *An Appeal to the Public on the National Debt*, by Robert Price, D.D., F.R.S., 1772, *A Candid Enquiry into the Present Ruined State of the French Monarchy*, 1770, *A Scheme to Pay the National Debt in Thirty Years without an Additional Tax*, 1778; *The Debt Compared with the Revenue, and Impossibility of War without Economy*, 1781; *Old Funds sufficient for a New Loan, and Proposal to Lower the Interest of Money and Tax the Funds*, 1781; *Means to Raise the Supply within the Year*, 1780; *Plans for Redeeming the Public Debt*, by R. Price, D.D., 1783, *Thoughts on Paying the Debt by a Lottery, the Prizes to arise out of a Diminution of the Annual Interest*, 1784; *A Plan for consolidating in one Rate the Land and other Taxes*, 1784; *Plan for future National Defence*, by the Duke of Richmond, 1785, *Dangerous Situation of England, and Address to the Landed, Trading, and Funded Interests*, 1786; *National Debt productive of National Prosperity*, 1787, *Efficacy of a Sinking Fund considered*, 1786; *National Debt discussed, towards a Radical and Speedy Payment*, 1786; *Renovation: a New Mode of Representation and Raising Supplies, Machiavel's Infallible Means to Pay off our Debt*, 1788.

¹² 3 Geo. I. c. 7.

into the ordinary income and expenditure of the country. But the report of that committee revived the drooping hopes, and upon the estimate that so long as the country was in peace a surplus of about 1,000,000*l.* a year might be realised, Mr. Pitt¹³ proposed that all the branches of the revenue should be united under the name of the Consolidated Fund, and one million, taken from that fund, should be vested annually in the hands of the commissioners for the redemption of the national debt, to be applied in purchasing capital in such stocks as they should judge expedient at the market price. That to this fund there should be added the interest of the debt redeemed, and any annuities fallen in by the failure of lives, or by the expiry of the terms for which they were granted, as well as that any life annuities unclaimed for three years should be considered as expired, and added to the sinking fund. And, further, that when this fund amounted to four millions, the interest of the redeemed debt and the annuities fallen in should no longer be applied to it, but should remain at the disposal of Parliament. The scheme sounded well, and we do not wonder that many were allured with the idea of a sinking fund. Fancy having within reach the means by which we can accumulate a vast treasure with the smallest amount of trouble and sacrifice. Why, it sounds as if, like the alchemists, we were able to transmute plain iron and other metals into gold and silver. Is it really true that a penny a year laid out at compound interest will, in time, become a great mountain of gold? Yes, on condition that you continue to pay that penny year after year without interruption, and that you do not touch the accumulating interest century after century. But who shall guarantee the continuance of that payment, or the power to resist the temptation of using the growing amount when required? Alas! alas! it is all a mere illusion. If I have to pay 100*l.*, is it not precisely the same whether I lay by any portion of that sum year by year, and let it grow, whilst I pay interest to the lender for the whole; or if I pay to the lender what I can from year to year, and thus diminish the liability, till the debt is entirely extinguished? But what if, whilst the amount laid by grows at the rate of 3 per cent., I have to borrow money for the purpose of paying the interest, at the rate of 5 per cent. or more? Am I not in this case actually losing instead of gaining? In the former case the idea

¹³ Mr. Marsh, in his work on the *Origin of the French War*, said, 'Pitt's favourite object was a diminution of the national debt, the abolition of taxes, the promotion of commerce and of general welfare throughout the kingdom, the attainment of which would of necessity be impeded by the expense of a foreign war.' And in the same spirit, Mr. G. C. Lewis, in his *Administration of Mr. Pitt*, said, 'We have reason to know that he, an early disciple of Adam Smith, contemplated, in 1792, a larger measure of free trade than the national debt accumulated during the subsequent war now permitted, we mean an abolition of all customs duties, and a limitation of public income to internal taxation.'

is nothing more than a simple delusion; and in the latter it is worse—the operation is certain to produce a clearly appreciable loss. Mr. Pitt had, however, full faith in the efficacy of the fund to remedy the great evil of an exorbitant debt, and the speech with which he introduced the scheme to the House of Commons glowed with enthusiasm. ‘To behold this country,’ he said, ‘emerging from a most unfortunate war, which added such an accumulation to sums before immense, that it was the belief of surrounding nations, and of many among ourselves, that our power must fail us, and we should not be able to bear up under it; to behold this nation, instead of despairing at its alarming condition, looking boldly its situation in the face, and establishing upon a spirited and permanent plan the means of relieving itself from all incumbrances—must give such an idea of our resources, and of our spirit of exertion, as will astonish the nations around us, and enable us to regain that pre-eminence to which we are on many accounts so justly entitled.’ The bill was well received in the House of Commons. Even Mr. Fox agreed on the necessity of establishing a sinking fund, provided, as he wisely suggested, such a fund should not be inalienable in time of war, and after a lengthened discussion the measure was carried.¹⁴ Whatever may be the fallacy involved in the sinking fund, there is no doubt that its advocates believed in its efficacy, and Mr. Pitt continued to cherish his opinion of its beneficial effect. Almost at the eve of the French Revolution, on January 31, 1792, the King, on the opening of the session, said, ‘I entertain the pleasing hope that the reductions which may be found practicable in the establishments, and the continued increase of the revenue, will enable you, after making due provision for the several branches of the public service, to enter upon a system of gradually relieving my subjects from some part of the

¹⁴ The new sinking fund was established under the act 26 Geo. III c. 31. In 1792, under 32 Geo. III c. 12, the sum of 400,000*l.* was authorised to be paid out of the supplies of the year in the same manner as under the previous act, and 1*l.* per cent of capital created by any new loan to be carried to the sinking fund. In 1793, under 30 George III c. 22, further sums were carried to the same fund, and so by successive acts till 1802. In the latter year, however, the 42 Geo. III c. 71, which united the two sinking funds of 1786 and 1792, modified the acts. A new plan of sinking fund was proposed in 1807 by Lord Henry Petty, and adopted under the act 47 Geo. III c. 55, but the system was complex, and was not followed up. In 1813 Mr Vansittart’s modification of a sinking fund was proposed and begun under the act 53 Geo. III c. 35. But on June 8, 1819, the House of Commons resolved, that to provide for the exigencies of the public service, to make such progressive reductions of the national debt as may adequately support public credit, and to afford to the country a prospect of future relief from a part of its present burdens, it is absolutely necessary that there should be a clear surplus of the income of the country above the expenditure of not less than 5,000,000*l.* sterling. In 1822 the Committee of Public Accounts recommended that the annual sinking fund loans be discontinued, and that the whole of the redeemed capital stock of funded debt remaining in the names of the commissioners for the reduction of the national debt be cancelled. In 1823 the 4th Geo. IV c. 19 carried that into effect; and, in 1828, an entire change was made in the existing system.

existing taxes, at the same time giving additional efficacy *to the plan for the reduction of the national debt, on the success of which our future ease and security essentially depend.* With a view to this important object, let me also recommend it to you to turn your attention to the consideration of such measures as the state of the funds and of public credit may render practicable and expedient, towards a reduction in the rate of interest of any of the annuities which are now redeemable.'

The financial measures of Mr. Pitt at the commencement of the war were of a very tentative character. In 1793 he imposed 300,000*l.* of assessed taxes, and somewhat increased the duties on British spirits, contenting himself with a loan of 4,500,000*l.*, the terms of which were, that for every 72*l.* advanced the contributor should be entitled to 100*l.* 3 per cent. stock. In 1794 one million more of taxes was imposed, principally in objectionable excise duties on bricks and tiles, stones and slate, plate and crown glass; and another loan of 11,000,000*l.* became necessary, for which was given for every 100*l.* of cash 100*l.* of 3 per cent. stock, 25*l.* of 4 per cent., and a terminable annuity of 11*s.* 5*d.* lasting for 66½ years. Mr. Pitt admitted that the terms were much more disadvantageous to the public than might have been expected, but said that, having done everything in his power to excite a competition, he could do nothing else than accept the best terms he could procure. Nor did the amount obtained cover the deficiency without the aid of another loan and the funding of some navy and victualling funds. In 1795 the taxes were again increased to the extent of 1,600,000*l.*, by the imposition of additional duties on wine, tea, coffee, and fruit, taxes on insurance, and taxes on hair powder; and again two great loans were required, one of 18,000,000*l.*, negotiated at 100*l.* 3 per cent., 33*l.* 6*s.* 8*d.* 4 per cent., and 8*s.* 6*d.* long annuity; and another of 18,000,000*l.*, for which there was given 145*l.* 3 per cent. and 6*s.* 6*d.* long annuity; besides a loan for the Emperor of Germany for 4,600,000*l.*,¹⁵ for the interest of which England became responsible. The year 1796 found the finances of the country in a still worse state, and taxes and loans increased apace. Then it was that the legacy duty was first established, proposed by Mr. Pitt on both real and personal property, but carried only on personal. The wine duty was also increased. A salt duty was imposed, as well as duties on hats, horses, and dogs, the whole addition amounting to 1,600,000*l.* Yet all this was but trifling as compared with the wants of the state, and another loan was contracted for 7,500,000*l.* at 145*l.* 3 per cent. and 5*s.* 6*d.* long annuity. On that year the political condition of the country gave rise to serious apprehensions. Certain negotiations for peace which

¹⁵ The total amount advanced by way of loan, subsidy, or otherwise, to foreign states from 1792 to 1817 was 57,153,819*l.* The principal recipients were the German States, Portugal, Russia, Spain, Austria, &c.

were commenced in Paris proved unsuccessful. In Ireland there was great discontent. A mutinous spirit pervaded the navy, and trade was much depressed.

But, with all these discouraging circumstances, the spirit of the nation was not crushed, and the people were determined to support the Government at whatever cost. A large sum being still wanted for the year, and the Bank directors having apprehended some difficulty in raising another loan in the ordinary manner, or by competition among the principal bankers, the proposal was made to throw the subscription for the same open to the nation at large, and to make an appeal to the public for support.¹⁶ And the success of the new experiment exceeded all expectation. No sooner was it known that 18,000,000*l.* were wanted than subscribers came forward from all parts of the country with wonderful alacrity. In its collective capacity the Bank subscribed 1,000,000*l.*; the directors subscribed 400,000*l.* each; and when, on the Monday, the parlour doors of the Bank were opened, an immense crowd assembled of persons anxious to take part in what was considered a highly patriotic act. Numbers could not get near the books. Many called on those more fortunate as to locality, to put down their names for them. At about twenty minutes past eleven in the morning the subscription was declared to be completely full, and hundreds left disappointed. In 1797 matters did not improve, and new taxes were imposed on all branches of the revenue to the extent of 3,400,000*l.* In 1798 a convoy tax on imports and exports was imposed, the assessed taxes were trebled, and voluntary contributions were invited, which produced upwards of 8,000,000*l.* In 1799 more loans were wanted.

The time had, however, now come when Mr. Pitt saw the need of raising a larger part of the supplies within the year than had been done heretofore, and, having regard to the deficiencies of the taxes previously imposed, he, for the first time, introduced a tax upon incomes of 200*l.* and upwards, with smaller graduated rates on incomes between 60*l.* and 200*l.* Mr. Pitt estimated the annual rent of land and houses, tithes and mines, at 45,000,000*l.*, profits of trade and professions at 40,000,000*l.*, and dividends and income from other sources at 17,000,000*l.*—total, 102,000,000*l.*—and a tax of 10 per cent., he calculated, would produce 10,000,000*l.* a year.¹⁷

¹⁶ The system of national loans was introduced in France by Napoleon III., in 1854, when, for a loan of 250,000,000 *f.*, as many as 99,224 subscribers came forward, offering 468,000,000 *f.* In 1855, for a loan of 500,000,000 *f.*, 180,480 subscribers offered 2,198,000,000 *f.*, and so for other loans in 1855 and 1859, with the same results.

¹⁷ The first income tax was levied in 1798 at 10*l.* per cent on incomes of 200*l.* a year and upwards, and graduated rates between 200*l.* and 60*l.* In 1803 the rate was 1*s.* in the pound on incomes of 150*l.* and upwards, and from 11*d.* to 3*d.* between 150*l.* and 60*l.* In 1805 one-fourth additional was imposed on all the rates. In 1806 the rate was 6*l.* per cent. on incomes of 150*l.* and upwards, and 50*l.* if from realised property, graduated rates on other incomes from 150*l.* to 50*l.*

In 1800, notwithstanding the improved condition of politics, 20,500,000*l.* by loan was obtained, only a small addition having been made in that year to the duties on tea and spirits, yielding an increase of 350,000*l.* Mr. Pitt has been praised for having obtained, during this momentous crisis in the history of the country, all the supplies he needed, for having secured the confidence and co-operation of all classes, and for having infused into all an intense desire for the maintenance of freedom and independence. But upon whom principally rested the responsibility of incurring so great a peril? And at what cost and sacrifice these objects were secured!

Alike for extravagance of expenditure and for wastefulness in the manner the supplies were procured, the financial administration of that period is in the highest degree indefensible. During the American war, not to go further back, several loans were contracted in the 4 per cent. stock, but with annuities and lotteries which made the terms much more onerous. When Mr. Pitt, in 1794, funded a portion of the unfunded debt, he said, 'It was always my idea that a fund, at a high rate of interest, is better to the country than those at low rates; that a 4 per cent. fund is preferable to a 3 per cent., and a 5 per cent. to a 4. The reason is, that in all operations of finance we should always have in view a plan of redemption. Gradually to redeem and to extinguish our debt ought ever to be the wise pursuit of Government. Every scheme and operation of finance should be directed to that end, and managed with that view.' Very different, however, was Mr. Pitt's practice a few years after. Probably it was a case in which necessity made its own laws. But there was something very wrong in the manner in which the loans were contracted.¹⁸ It was a mere pretence borrowing at 3 per cent. when, in reality, the nation was paying a considerably higher rate by annuities for a number of years and a certain number of tickets in a lottery. Had this country borrowed at the real value of money, or at the rate at which the public credit of the country could procure it at the time, future finance ministers might easily have reduced the heavy charge for interest when the condition of the country improved. But with a 3 per cent. stock no reduction was possible. From 1793 to 1801 eighteen loans were contracted by Mr. Pitt, and for 202,000,000*l.* received he funded a capital of 314,000,000*l.*¹⁹ What justification could be offered for an extravagance so marked as this? The only one urged is, that the nation was in the position of a spendthrift

¹⁸ See the valuable paper on the loans raised by Mr. Pitt during the first French war, 1793-1801, with some statements in defence of the methods of funding employed, by William Newmarch, Esq., F.R.S.—*Journal of the Statistical Society*, vol. xviii. pp. 104 and 242

¹⁹ From 1793 to 1816, for 566,159,357*l.* cash actually paid into the Exchequer, there was created stock for 881,615,943*l.*, carrying dividends at 3, 4, and 5 per cent. to the amount of 29,405,972*l.*, besides 884,696*l.* terminable annuities.

at the mercy of money-lenders and usurers, and that, as long as the demands of the state continued excessively heavy, the accommodation required could only be had on terms correspondingly onerous. It was not indeed a question of how much the nation was prepared to pay for accommodation, but how much the lender demanded for granting it; and Mr. Pitt was not the man to give much weight to economy when the safety of the state appeared in question. The wonder is that during the whole time when the nation was so perplexed, and when its destinies appeared to be in extreme danger, public credit never suffered materially. The annexed diagram, exhibiting the highest and lowest prices of the 3 per cent. consols from 1760 to 1820, shows that a serious fall was experienced only on one or two occasions, as when the Netherlands were given up to France on April 11, 1797, when news came of the battle of the Nile and of the entry of the French army into Egypt in 1798. But prices soon recovered; and though the relative effects of peace and war on the funds are conspicuously illustrated, it is evident that confidence in British honour and power never for a moment was weakened. Mr. Pitt's financial and commercial administration was remarkable, certainly, for directness of aim, boldness of action, and firmness of grasp. Realising to the full the paramount obligation of a man placed at the helm of the state to secure its internal and external safety at all hazards, he left no stone unturned to achieve that end. So long as peace lasted he strained every nerve to bring about an equilibrium in the budget, by equalising the revenue with the expenditure. Immediately war commenced he threw aside every other consideration, and placed the safety of the state first and foremost over everything else. But, after all, what poor results in an economic aspect have come from an administration otherwise most brilliant. There is but little indeed in Mr. Pitt's career which an economist can regard with gratitude or satisfaction; and, though deserving well for his treaty of commerce with France, and entitled to esteem for his devotion to the country's good, it cannot be said of him that he left the nation better than he found it, or that his policy contributed to make England rich and prosperous.

CHAPTER III.

CURRENCY AND BANKING IN FRANCE

State of Finances in France.—Issue of Assignats.—Issue of Territorial Mandates.—Coinage Laws.—Establishment of the Bank of France.—Appendix
Loi sur la Fabrication et la Vérification des Monnaies

If the financial administration of England was defective at this critical time, infinitely more objectionable was that of France. When the Assemblée Constituante was constituted in 1789, a financial committee was formed, consisting of economists, philanthropists, and chemists, men of no experience or financial ability, and their first measure was the abolition of a large portion of indirect taxation and the institution of new taxes affecting land and luxuries. But as the expenses of the state increased, and borrowing either at home or abroad was out of the question, the Assembly became utterly unable to provide for the wants of the country, always pressing and immediate. Some hopes, at first entertained, that the ecclesiastical property confiscated by the state might easily be sold, soon vanished, and when land of the value or 16,000,000 livres was suddenly put up for public sale, it was found that bidders were but few, and that the realisation of any large amount would be utterly hopeless. What was to be done? In order to monetise the extensive property, it was decided to transfer the whole of the land to the municipalities, on their bond for the price, so that the state might use their bonds in payment of its creditors.

These securities, called *assignats*, from representing land which might be transferred, offered several advantages. They gave to the creditors a claim on the municipal bodies; they enabled them, at pleasure, to extinguish the debt by buying up the land, and they might be given in ordinary payments, for which purpose they were made legal tender. The first issue was for 16,000,000 livres, and bore interest like Exchequer bills; shortly after 32,000,000 livres more were issued, and upon the sequestration of the property of wealthy emigrants, several other issues were authorised, until, in August 1793, the total amount issued was 5,100,000,000 livres, of which 3,775,846,000 livres were in circulation. Such an enormous issue of paper money could not fail to cause a corresponding depreciation of the currency. When the assignats were first issued in 1789 they were worth 98 per

cent., and they maintained their value in 1790. But as the amount of issues increased, and the condition of the country became more and more perplexing and perilous, the public ceased to have any confidence in such securities. In 1791 their value fell to 71; in 1792, to 70; in 1793, to 51, and even 22; in 1794 they were at 20; and in 1795 one could have purchased one thousand francs' worth of them for fifteen francs.¹ With the depreciation of the *assignats*, everything rose enormously in value, holders of produce necessarily fixing their prices at the level of the silver currency. Bread, amongst other things, became extremely dear, though the penalty of death was declared against any baker who should refuse to sell at a given price. In a short time the value of *assignats* was so completely destroyed that it became impossible to use them any longer as a standard of value, and they were taken out of circulation and demonetised.

But the financial experiment did not end with them. No sooner were the *assignats* withdrawn than another kind of paper money, called territorial mandates, was issued. Again it was officially notified, that such securities would be received in all public treasuries, and that they should be a mortgage on public property. The purchaser was assured that he would always be able to change them for a real estate, in the proportion of twenty-five times the value as regards a rural property, and eighteen times the value for a town estate or factory. And contracts in any other money were prohibited. This new financial law was published on March 27, 1796; but in a short time the mandate lost all its value, and no alternative was left but to cause it to be demonetised. The reason for such extreme discredit was evident. Although the security for both *assignats* and mandates was perfectly good, being landed property amounting to half the territory of France, yet the tenure of such land afforded no security whatever. Moreover, the amount of *assignats* or mandates bore no proportion to the value of the land, no valuation of the confiscated property having ever been made; and finally, however good the security, it was not realisable in gold or silver, the only currency of practical use in exchange. Eventually, the unfortunate holders of *assignats* and territorial mandates lost a large proportion of the sums invested in them. The *assignats* which had accumulated in the hands of the land proprietors, manufacturers, and others were reduced in amount by a forced loan of 600 million francs in specie, raised from the wealthy classes of the community, in which loan 100 francs of *assignats* were sub-

¹ The rate of exchange with Paris at the end of March 1791 was 25. By the end of that year it fell to 19½, and from that rate it continued to fall to 17 in December 1792. In 1793, commencing with 17, it fell to 12 in April, to 9½ in June, and to 6 in July. In August it was as low as 4½; thence it rallied a little, but from October 4 there were no more quotations till April 1801.

scribed as equivalent to one franc in specie. This occasioned a reduction of 14,000 millions of assignats, and the remainder were reduced to one-thirtieth part of their nominal value, and were made exchangeable at that rate for territorial mandates. In 1798 Napoleon changed all perpetual and life annuities, old and new, for two-thirds of the amount in notes called *dette publique mobilisée*, and one-third was entered in the *grand livre* under the title of *tiers consolidé*.² The two-thirds, exchangeable only for national property, soon lost all value, and the third became the origin of the present national debt of France.

Something more solid, however, for money and banking was required than assignats or mandates, and it became Napoleon, who, though a great destroyer was also a great builder, to supply France with some permanent institutions in these important instruments of society and commerce. Considerable diversity of opinion existed then, as now, as to whether one or two precious metals should be used as monetary standards. Mirabeau pronounced himself in favour of silver, but he would allow the use of gold coins also. Accordingly, the laws of the 28th Thermidor, An III. (August 15, 1795), were passed, one establishing the franc in silver as the monetary unit, and one providing for the coinage of gold pieces of ten grammes nine-tenths fine, without prescribing the relation which gold should bear to silver.³ No one, however, was willing under such circumstances to take the gold coins; and, therefore, a new law became necessary, and the 7th Germinal, An XI. (March 28, 1803), was passed, which, whilst laying down as a basis that silver should be the sole monetary standard, provided for the coining of gold pieces of 20 francs, of the value of 155 pieces to the kilogramme, which practically established the relation of gold to silver as 1 to 15½, that being the relation of the two precious metals in the open market.

Whilst the coinage law was still under consideration Napoleon urged on the principal bankers and capitalists of France, at the head of whom was M. Perregaux, a financier of considerable position, to establish a new banking institution for the discount of commercial paper and the issue of notes payable to bearer; the Government being prepared to assist the formation of the same, by causing that one half of the sum paid in as a guarantee for the Receiver General of Taxes should be invested in shares of the bank, and that all the funds received by them should be paid to the bank in open account. The proposal having been accepted, a decree of the 2nd Nivôse, An VIII., gave to this new society the

² The tiers consolidé amounted to 40,216,000 f of interest in 5 per cent. Under the First Empire 23,091,637 f interests were added to this, so that at the Restoration in 1815 the interest of the debt in France amounted only to 63,307,637 f (2,532,000L.)

³ The Mint was established by the law of 22 Vendémiaire, An IV. (October 1795).

name of the Bank of France, and one month after, the 24th Pluviôse, a general meeting was held, when the capital was fixed at 30,000,000 francs, or 1,200,000*l.*, and the new bank commenced operations on the 1st Ventôse following.

The Bank was started under the best possible auspices. Its credit was excellent; the Government was earnestly disposed to strengthen it; its operations were such as to secure general confidence. But soon after the Peace of Amiens events happened which tried its power of riding on the storm of politics and finance. Napoleon was anxious for the safety of the infant Bank, and judging that the circulation of paper money by the three other banks still in existence, viz. the Caisse d'Escompte, du Commerce, and the Caisse des Comptes Courants, might prove a difficulty, and that they were too weak to stand, he amalgamated these with the Bank of France, suspended their separate issue, and by the law of the 24th Germinal, An XI. (April 1803), gave to the Bank of France a regular constitution, the first clause of which provided that the association formed in Paris under the name of the Bank of France should alone enjoy the right of issuing notes payable to bearer. The capital was increased to 45,000,000 francs, or 1,800,000*l.*, and its management was placed in the hands of fifteen regents and three censors, chosen by the shareholders, seven of whom, with the three censors, were to be merchants and manufacturers. But whilst the war was increasing the wants of the state at a tremendous rate, and injuring commerce and navigation to the extent of threatening their complete extinction, the Bank could not well prosper, and its position was greatly endangered.

Nor was its administration altogether free from fault. Whilst the war was advancing, and the Government of France was at its wits' end how to obtain the necessary supplies, a company of United Merchants was formed to provide the Government with everything they might require.⁴ The company was divided into three sections. M. Desprez was engaged in procuring the dis-

⁴ During the French Revolution there were in Paris a multitude of Jews, Protestants, business men, and bankers from Geneva, Neuchâtel, Bâle, Germany, Berlin, Vienna, and Frankfort, ready to take advantage of any opportunity for making large gains. In 1793 the National and Republican Almanac contained a list of the principal bankers as follows — Bontems Brothers, Busoni, Caccia, Delessert, Duvernoy, Fehnès, Mallet (father and sons), Pache Brothers, Perregaux, Poursat. This list of bankers disappeared under the Dictatorial government of Robespierre. During the Directory the bankers in favour were Barillon and Enfantin. The financiers of the Revolution were the Abbé Talleyrand, Bishop of Autun, and the Abbé Espagnac, his friend, both allied to the Danton party, Bazire, Chabot, the brothers Freyre, bankers; Fabre d'Églantine and Delaunay d'Angers. The financiers and speculators under the Directory were Ouvrard, who pretended to finance for Spain also, Vanlerberghe, who undertook to supply the Directory with grain, Collot, a paymaster for the army in Italy, Roy and Desteyères, advocates. During the Empire the houses of Lafitte, of Hottinguer, and Périer, the bankers, opened credits which helped those industries which were developed during the Continental system.

count of Treasury bills, M. Vanlerberghe in providing articles of food, M. Ouvrard in undertaking great speculations. M. Ouvrard was very ambitious in his projects, and he planned a grand idea. Spain having to pay to France certain annual subsidies, he went to Spain to make attractive offers to the Government. He proposed to relieve Spain from the payment of the subsidies for two years, to give to Spain some assistance in money, which she much needed, and also to send to that country grain and other articles of food, especially for the use of the Spanish squadron. But what was Spain to give for all these good things? M. Ouvrard asked no more than authority to take dollars from Mexico at the rate of 3 francs 75 centimes, whilst they were worth 5 francs at least. 'By all means,' said Spain, 'take as many of them as you like, if you can evade the chase of British cruisers.' But this obstacle did not disconcert M. Ouvrard. Messrs. Hope and other Dutch houses being established both in Holland and England, he proposed to transfer the right to take the dollars to them. American vessels, with neutral flag, would go to the Spanish colonies and bring the dollars to Europe. These, he thought, Mr. Pitt could not touch. The plan seemed excellent. Only there was one important fault—viz. that whilst the subsidies were no longer coming from Spain, the help in money had actually gone, and the grain and provisions were shipped, it would be years before the proceeds of these cheap dollars could be realised. Meanwhile the Government was in a terrible stress; the Bank of France was compelled to come to its aid, and whilst the armies of France met with but chequered fortunes, and a rumour spread that the Emperor had carried all the capital of the Bank away with him to Germany, the Bank was in a position of great difficulty. However, the victory of Austerlitz soon swept away all fear and restored public confidence; and on his return to Paris the very first thought of Napoleon was to give to the Bank a stronger organisation, by connecting it more intimately with the state without destroying its independence.

By the law of 1806 the privileges of the Bank were renewed for twenty-five years longer; the capital was increased to 90,000,000 francs, or 3,600,000%, exclusive of the reserve; the management, hitherto entrusted to a committee chosen by the General Council, was put in the hands of a governor and two sub-governors, nominated by the Emperor, and the operations of the Bank were specified to consist only in discounting commercial paper not having more than three months to run, and in receiving money on open account and on deposit. Two years after the Bank established branches at Rouen, Lyons, and Lille; but there was no business for them, and they were given up. The state of France did not admit of progress. From 1808 to 1814 she was distracted within, and carried away by triumphs or defeats all over Europe;

and when at last the Empire fell, and the misfortunes of the country became serious and past recovery, the Bank was obliged to reduce its payments in cash to 500,000 francs a day, from January 18 to April 14, 1814; she ceased to have any governor, and the management had to be entrusted to M. Laffitte, one of the censors.

APPENDIX.

Loi sur la Fabrication et la Vérification des Monnaies.

7 Germinal, an xi (March 27, 1803)

Au nom du Peuple Français, BONAPARTE, Premier Consul, proclame loi de la République le décret suivant, rendu par le Corps Législatif le 7 germinal, an xi, conformément à la proposition faite par le Gouvernement le 19 ventôse, communiquée au Tribunal le lendemain.

DÉCRET.

Disposition Générale.—Cinq grammes d'argent, au titre de neuf dixièmes de fin, constitue l'unité monétaire, qui conserve le nom de franc.

Titre I.—De la Fabrication des Monnaies.

Article I.—Les pièces de monnaie d'argent seront d'un quart de franc, d'un demi-franc, de trois quarts de franc, d'un franc, de deux francs et de cinq francs.

Article II.—Leur titre est fixé à neuf dixièmes de fin, et un dixième d'alliage.

Article III.—Le poids de la pièce d'un quart de franc sera d'un gramme vingt-cinq centigrammes; celui de la pièce d'un demi-franc, de deux grammes cinq décigrammes; celui de la pièce de trois quarts de franc, de trois grammes soixante-quinze centigrammes; celui de la pièce d'un franc, de cinq grammes; celui de la pièce de deux francs, de dix grammes, et celui de la pièce de cinq francs, de vingt-cinq grammes.

Article IV.—La tolérance du titre sera, pour la monnaie d'argent, de trois millièmes en dehors autant en dedans.

Article V.—La tolérance de poids sera, pour les pièces d'un quart de franc, de dix millièmes en dehors autant en dedans, pour les pièces d'un demi-franc et de trois quarts de franc, de sept millièmes en dehors autant en dedans; pour les pièces d'un franc et de deux francs, de cinq millièmes en dehors autant en dedans; et pour les pièces de cinq francs, de trois millièmes en dehors autant en dedans.

Article VI.—Il sera fabriqué des pièces d'or de vingt francs et de quarante francs.

Article VII.—Leur titre est fixé à neuf dixièmes de fin et un dixième d'alliage.

Article VIII.—Les pièces de vingt francs seront à la taille de cent cinquante-cinq pièces au kilogramme, et les pièces de quarante francs à celle de soixante-dix-sept et demie.

Article IX.—La tolérance du titre de la monnaie d'or est fixée à deux millièmes en dehors autant en dedans

Article X.—La tolérance de poids est fixée à deux millièmes en dehors autant en dedans

Article XI.—Il ne pourra être exigé de ceux qui porteront les matières d'or ou d'argent à la monnaie, que les frais de fabrication. Ces frais sont fixés à neuf francs par kilogramme d'or, et à trois francs par kilogramme d'argent.

Article XII.—Lorsque les matières seront au-dessous du titre monétaire, elles supporteront les frais d'affinage ou de départ. Le montant de ces frais sera calculé sur la portion des dites matières qui doit être purifiée, pour élever la totalité au titre monétaire

Article XIII.—Il sera fabriqué des pièces de cuivre pur de deux centièmes, de trois centièmes et de cinq centièmes de franc

Article XIV.—Le poids des pièces de deux centièmes sera de quatre grammes ; celui des pièces de trois centièmes, de six grammes, et celui de cinq centièmes, de dix grammes

Article XV.—La tolérance de poids sera, pour les pièces de cuivre, d'un cinquantième en dehors.

[The remainder of the first title of the decree refers to the type of the coins, the inscription, and their diameter. The second title refers to the verification of the coinage]

(Signé)

BONAPARTE,

Premier Consul.

HUGUES B. MARET,

Secrétaire d'Etat

CHAPTER IV.

*THE ORDERS IN COUNCIL AND THE BERLIN
AND MILAN DECREES.*

Armed Neutrality.—Peace of Amiens.—Renewal of the War.—Maritime International Policy.—The Rule of 1756.—Relaxation of the Rule — Neutral Trading with Colonies —Effect of Neutral Trading on British Commerce.—Order in Council of May 1806.—The Berlin Decree.—Orders in Council of January and November 1807.—The Milan and Fontainebleau Decrees —British Policy towards Neutrals —The Evil of the Licensing System —The United States and the Orders in Council —Lord Brougham's Motion —Declaration of the Prince Regent.—Appendix: The Berlin Decree, November 21, 1806 —Order in Council, January 7, 1807.—Order in Council, November 11, 1807.—The Milan Decree, December 17, 1807.

THE political horizon was ominously dark at the commencement of the nineteenth century. Whilst grievously suffering from the high price of corn and provisions, and oppressed by the burden of a contest already sufficiently prolonged, England was threatened by the renewal of another armed neutrality on the part of the Northern powers—a neutrality based on a new code of maritime law then deemed utterly inconsistent with the rights of this country. The Northern powers wished to proclaim that free ships should make free goods; but England was determined that the trade of the enemy should not be carried on by neutrals. The Northern powers asserted, that only contraband goods should be excluded from the trade of neutrals, and those of certain definite and known articles. England did not wish the enemy to obtain timber, hemp, and other articles, which, though not contraband of war, are still essential for warfare. The Northern powers declared that no blockade should be held valid unless really effective. England had already assumed the right to treat whole coasts as blockaded, in order to prevent the enemy receiving supplies from any quarter. And when the Northern powers added that a merchant vessel accompanied and protected by a belligerent ship ought to be safe from the right of search, England was not prepared to recognise the authority of such ships, and would place no limits to the action of her cruisers. When, therefore, Russia, Denmark, and Sweden entered into a convention to enforce the principles of the armed neutrality, and, in pursuance of the same, Russia caused an embargo to be laid on all British vessels in her

ports, the British Government, ill disposed to bear with such provocation, issued a proclamation on January 14, 1801, authorising reprisals, and laying an embargo on all Russian, Swedish, and Danish vessels in British ports. What followed is well known, and with the battle of Copenhagen the Northern confederacy was completely dissolved. Public opinion in England, however, had by this time much changed respecting her policy towards France. Mr. Pitt resigned, and negotiations commenced, which ended with the conclusion of the Treaty of Amiens.¹

But that peace was of short duration. War again broke out, and more than ever the patriotic spirit of the people was evoked to defend British soil against Britain's inveterate enemies.² From class to class the national enthusiasm spread and increased. Even merchants, setting aside their books and business, issued a declaration, promising in a solemn manner to use every exertion to rouse the spirit and to assist the resources of the kingdom; to be ready with their services of every sort and on every occasion in its defence; and rather to perish altogether than live to see the honour of the British name tarnished, or that sublime inheritance of greatness, glory, and liberty destroyed which had descended to them from their forefathers, and which they were determined to transmit to their posterity. Again was Mr. Pitt called to be Prime Minister, as the only man who could really be trusted in times of so much anxiety and peril. And then it was that the Continental system was inaugurated which made of oceans and seas one vast battle-field of strife and bloodshed.

Fully to understand the policy of England as regards the orders in Council, we must briefly retrace our steps, by examining the measures taken in previous wars. During the Seven Years' War, which ended in 1763, France, hemmed in on all sides by England, and hindered by the British naval forces from carrying on any trade with her West India colonies, adopted the plan of relaxing her colonial monopoly, and allowing neutral ships to carry the produce of those islands to French or foreign ports in Europe. The produce being thus carried really or ostensibly on neutral account, it was assumed that no danger of capture could be incurred. But the prize courts of England condemned such vessels as were captured while engaged in the trade, and the rule was then adopted, called the Rule of 1756,³ to the effect that a neutral has

¹ Peace was ratified on October 10, 1801, and the Treaty of Amiens was concluded March 25, 1802.

² On May 16, 1803, an order in Council was made issuing letters of marque and reprisals against France, and another laying an embargo on all ships belonging to the French and Batavian republics. Reprisals against Spain were ordered on December 19, 1805; against Prussia on May 14, 1806, and against Russia on December 18, 1807.

³ The Rule of 1756 had been acted upon even by France on previous occasions. See Note 1, 'On the Practice of the British Prize Courts with regard to the Colonial Trade of the Enemy during the American War,' in 6 *Rob. Rep.*,

no right to deliver a belligerent from the pressure of his enemy's hostilities by trading with his colonies in time of war in a way that was prohibited in time of peace.' As Sir William Scott said, 'The general rule is, that the neutral has a right to carry on, in time of war, his accustomed trade to the utmost extent of which that accustomed trade is capable. Very different is the case of a trade which the neutral has never possessed; which he holds by no title of use and habit in time of peace; and which, in fact, he can obtain in war by no other title than by the success of the one belligerent against the other, and at the expense of that very belligerent under whose success he sets up his title.' During the American war this principle did not come practically into action, because, although then also the French Government opened the ports of her West India islands to the ships of neutral powers, it had the wisdom to do so before hostilities were commenced, and not after.

In accordance with these principles, when the war of the French Revolution commenced, instructions were given, on November 6, 1793, to the commanders of British ships of war and privateers, ordering them 'to stop and detain for lawful adjudication all vessels laden with goods the produce of any French colony, or carrying provisions or other supplies for the use of any such colony.' And this order was the more called for from the fact that American ships were crowding the ports of the French West Indies, where the flag of the United States was made to protect the property of the French planters. A great number of ships under American colours were thus taken in the West Indies and condemned, the fraudulent pretences of neutral property in the cargoes being too gross to be misunderstood. Complaints were, however, made of the hardship of this practice on the *bonâ fide* American trader, and in January 1794 the instructions were so far amended that the direction was to seize 'such vessels as were laden with goods the produce of the French West India islands, *and coming directly from any ports of the said islands to Europe.*' The Rule of 1756 continued in force till 1798, when again it was relaxed, by ordering that 'vessels' should be seized 'laden with the produce of any island or settlement of France, Spain, or Holland, *and coming directly from any port of the said island or settlement to any port in Europe, not being a port of this kingdom, or of the country to which the vessel, being neutral, should belong.*' European neutrals were thus permitted to bring the produce of the hostile colonies from thence to ports of their own countries; and European or American neutral ships might

App, and *Considérations sur l'Admission des Navires neutres aux Colonies françaises de l'Amérique en Temps de Guerre*, p. 13, 1779; and see the 'Wilhelmina,' 4 *Rob Rep*, p. 4, and the 'Immanuel Tudor.'—*Leading Cases of Mercantile Law*, p. 814.

carry such produce direct to England. But when the war was resumed in 1803, the Rule of 1756 was again put in force, and instructions were given 'not to seize any neutral vessels which should be found carrying on trade directly between the colonies of the enemy and the neutral country to which the vessel belonged, and laden with property of the inhabitants of such neutral country, provided that such neutral vessel should not be supplying, nor should have on her outward voyage supplied, the enemy with any articles of contraband of war, and should not be trading with any blockaded ports.'

By thus allowing, however, neutrals to trade safely to and from neutral ports, means were opened to them to clear out for a neutral port, and under cover of that pretended destination to make a direct voyage from the colony to the parent state, or really to proceed to some neutral country, and thence re-export the cargo in the same or a different bottom to whichever European market, neutral or hostile, they might prefer. The former, or an assumed voyage to the parent state, being the shortest and most convenient method, was chiefly adopted by the Dutch on their homeward voyages, because a pretended destination for Prussian, Swedish, or Danish ports in the North Sea, or the Baltic, was a plausible mask, even in the very closest approach the ship might make to the Dutch coast down to the moment of her slipping into port. The latter method, or the stopping at an intermediate neutral country, was commonly preferred by the Spaniards and French in bringing home their colonial produce, because no pretended neutral destination could be given that would consist with the geographical position and course of a ship coming directly from the West Indies, if met with near the end of her voyage in latitudes of their principal ports. The American flag in particular was a cover that could scarcely ever be adapted to the former method of eluding the hostilities of British cruisers, but it was found peculiarly convenient for the latter. Such is the position of the United States, and such is the effect of the Trade Winds, that European vessels, homeward bound from the West Indies, can touch at their ports with very little inconvenience or delay; and such is also the case, though in a less degree, with regard to vessels coming from the remotest parts of South America or the East Indies. The passage from the Gulf of Mexico, especially, runs so close along the North American shore, that ships bound from the Havannah, from Vera Cruz, and other great Spanish ports bordering on that gulf to Europe, could touch at certain ports in the United States with scarcely any deviation. On an outward voyage to the East and West Indies, the proper course would be more to the southward than would well consist with touching on North America; yet the deviation for that purpose was not a very formidable inconvenience. From these causes the protection

given by the American flag to the intercourse between European states and their colonies was chiefly in the way of a double voyage, in which America was the half-way house or central point of communication. The fabrics and commodities of France, Spain, and Holland were brought under American colours to ports in the United States, and from thence re-exported, under the same flag, for the supply of the hostile colonies. Again, the produce of those colonies was brought in like manner to the American ports, and thence reshipped to Europe. The Americans, indeed, went still further. The ports of this kingdom, having been constituted by the royal instructions of 1798 legitimate places of destination for neutrals coming with cargoes of produce directly from the hostile colonies, the American merchants made a pretended destination to British ports a convenient cover for a voyage from the hostile colonies to Europe, which their flag could not otherwise give, and thus rivalled the neutrals of the Old World in this method of protecting the West India trade of the enemy, while they nearly engrossed the other. As the war advanced, after the Peace of Amiens, the neutrals became bolder and more aggressive. American ships were constantly arriving at Dutch and French ports with sugar, coffee, and other productions of the French and Spanish West Indies. And East India goods were imported by them into Spain, Holland, and France.

By these and other means, Hamburg, Altona, Emden, Gottenburg, Copenhagen, Lisbon, and other neutral markets were glutted with the produce of the West Indies and the fabrics of the East, brought from the prosperous colonies of powers hostile to this country. By the rivers and canals of Germany and Flanders goods were floated into the warehouses of the enemy, or circulated for the supply of his customers in neutral countries. The enemy, under cover of the neutral flag, rivalled the British planter and merchant throughout the continent of Europe and in all the ports of the Mediterranean, and even supplanted the manufacturers of Manchester, Birmingham, and Yorkshire; and by these means the hostile colonies derived benefit, and not inconvenience, from the enmity of Great Britain. What, moreover, especially injured the commerce of England was the increase in the cost of importation into this country from the British colonies, from freight, insurance, and other charges which, taken together, were as much as, if not superior to, those to which the enemy was subjected in his covert and circuitous trade. It was a general complaint, therefore, that the enemy carried on colonial commerce under the neutral flag, cheaply as well as safely; that he was enabled not only to elude British hostilities, but to rival British merchants and planters in the European markets; that by the same means the hostile treasuries were filled with a copious stream of revenue; and that by this licentious use of the neutral flag, the enemy was

enabled to employ his whole military marine for purposes of offensive war, without being obliged to maintain a squadron or a ship for the defence of his colonial ports. It was, moreover, contended that, since neutral states have no right, but through our own gratuitous concession, to carry on the colonial trade of the enemy, we might, after a reasonable notice, withdraw that ruinous indulgence; that the neutral did not require such privileges; that the comparative cheapness of his navigation gives him, in every open market, a decisive advantage; that in the commerce of other neutral countries he could not fail to supplant the belligerent; and that he obtained an increase of trade by purchasing from one belligerent, and selling to his enemies the merchandise for which, in time of peace, they depended on each other.

Such complaints made against neutral states found a powerful exposition in a work entitled 'War in Disguise and the Frauds of the Neutral Flag,' supposed to have been written by Mr. James Stephen, the real author of the orders in Council. The British Government did not see its way at once to proceed in the direction of prohibiting to neutral ships the colonial trade, which they had enjoyed for a considerable time; but the first step was taken to paralyse the resources of the enemy, and to restrict the trade of neutrals, by the issue of an order in Council in May 1806,⁴ declaring that all the coasts, ports, and rivers from the Elbe to Brest should be considered blockaded, though the only portion of those coasts rigorously blockaded was that included between Ostend and the mouth of the Seine, in the ports of which preparations were made for the invasion of England. The northern ports of Germany and Holland were left partly open, and the navigation of the Baltic altogether free.

Napoleon, then in the zenith of his power, saw, in this order in Council, a fresh act of wantonness, and he met it by the issue of the Berlin decree of November 21, 1806.⁵ In that document, remarkable for its boldness and vigour, Napoleon charged England with having set at nought the dictates of international law, with having made prisoners of war of private individuals, and with having taken the crews out of merchant ships. He charged this country with having captured private property at sea, extended to commercial ports the restrictions of blockade applicable only to fortified places, declared as blockaded places which were not invested by naval forces, and abused the right of blockade in order to benefit her own trade at the expense of the commerce of Continental states. He asserted the right of combating the enemy with the same arms used against himself, especially when such enemy ignored all ideas of justice and every liberal sentiment which civilisation imposes. He announced his resolution to apply

⁴ See the text of the order in Council in the appendix to this chapter.

⁵ See the text of the Berlin decree in the appendix to this chapter.

to England the same usages which she had established in her maritime legislation. He laid down the principles which France was resolved to act upon until England should recognise that the rights of war are the same on land as on sea, that such rights should not be extended either against private property or against persons not belonging to the military or naval forces, and that the right of blockade should be restricted to fortified places, truly invested by sufficient forces. And upon these premises the decree ordered, 1st, That the British islands should be declared in a state of blockade. 2nd, That all commerce and correspondence with the British islands should be prohibited; and that letters addressed to England or Englishmen, written in the English language, should be detained and taken. 3rd, That every British subject found in a country occupied by French troops, or by those of their allies, should be made a prisoner of war. 4th, That all merchandise and property belonging to British subjects should be deemed a good prize. 5th, That all commerce in English merchandise should be prohibited, and that all merchandise belonging to England or her colonies, and of British manufacture, should be deemed a good prize. And 6th, That no vessel coming direct from England or her colonies be allowed to enter any French port, or any port subject to French authority; and that every vessel which, by means of a false declaration, should evade such regulations, should at once be captured.

The British Government lost no time in retaliating against France for so bold a course; and, on January 7, 1807,⁶ an order in Council was issued, which, after reference to the orders issued by France, enjoined that no vessel should be allowed to trade from one enemy's port to another, or from one port to another of a French ally's coast shut against English vessels; and ordered the commanders of the ships of war and privateers to warn every neutral vessel coming from any such port, and destined to another such port, to discontinue her voyage, and that any vessel, after being so warned, which should be found proceeding to another such port should be captured and considered as lawful prize. This order in Council having reached Napoleon at Warsaw, he immediately ordered the confiscation of all English merchandise and colonial produce found in the Hanseatic Towns. Bourrienne, Napoleon's commissioner at Hamburg, declared that all who carried on trade with England supported England; that it was to prevent such trading that France took possession of Hamburg; that all English goods should be produced by the Hamburgers for the purpose of being confiscated; and that, in forty-eight hours, domiciliary visits would be paid and military punishments inflicted on the disobedient. But Britain, in return, went a step further, and, by

⁶ See text of the orders in Council of January 7 and November 11 in the appendix.

order in Council of November 11, 1807, declared all the ports and places of France, and those of her allies, and of all countries where the English flag was excluded, even though they were not at war with Britain, should be placed under the same restrictions for commerce and navigation as if they were blockaded, and consequently that ships destined to those ports should be liable to the visit of British cruisers at a British station, and there subjected to a tax to be imposed by the British Parliament.⁷

Napoleon was at Milan when this order in Council was issued, and forthwith, on December 17,⁸ the famous decree appeared, by which he imposed on neutrals just the contrary of what was prescribed to them by England, and further declared that every vessel, of whatever nation, that submitted to the order in Council of November 11, should by that very act become denationalised, considered as British property, and condemned as a good prize. The decree placed the British islands in a state of blockade, and ordered that every ship, of whatever nation, and with whatever cargo, proceeding from English ports or English colonies to countries occupied by English troops, or going to England, should be a good prize. This England answered by the order in Council of April 26, 1809, which revoked the order of 1807 as regards America, but confirmed the blockade of all the ports of France and Holland, their colonies and dependencies. And then France, still further incensed against England, issued the tariff of Trianon, dated August 5, 1810, completed by the decree of St. Cloud of September 12, and of Fontainebleau of October 19,⁹ which went the length of ordering the seizure and burning of all British goods found in France, Germany, Holland, Italy, Spain, and in every place occupied by French troops. Strange infatuation! and how many states took part in this mad act of vindictiveness! The princes of the Rhenish Confederation hastened to execute it, some for the purpose of enriching themselves by the wicked deed, some out of hatred towards the English, and some to show their devotion towards their master. From Carlsruhe to Munich, from Cassel to

⁷ One of the fruits of the great blockade was the introduction of beetroot sugar. In 1810, the price of sugar being very high, experiments were made to make sugar from the beetroot, and the results were encouraging. In 1811 and 1812 the Government put at the disposal of the Minister of Agriculture 100,000 arpents of land and 1,000,000 f., as well as the exemption from all taxes on native sugar, and works for the purpose were constructed all over the country. But as soon as the blockade was removed native sugar could no longer compete with foreign sugar, and most of the works were abandoned. In 1812 Benjamin Delessert found the way of making the grains of beetroot sugar as fine as those of cane sugar. And Vilmorin was able to make a kind of white beetroot very nearly as rich as the beetroot of Silesia. In 1829 there were 100 sugar factories, which produced 5,000,000 kilos of sugar. In 1832 beet production was double. In 1837 there were 436 sugar works, and now the beetroot enters largely in the sugar industry all over the Continent.

⁸ See text of the Milan decree in the appendix.

⁹ See text of the Fontainebleau decree in the appendix.

Dresden and Hamburg, everywhere, bonfires were made of English goods. And so exacting were the French that, when Frankfort exhibited the least hesitation in carrying out the decree, French troops were sent to execute the order.

By means such as these the commerce of the world was greatly deranged, if not destroyed altogether, and none suffered more from them than England herself. Was it not enough to be effectually shut out from all commerce with French ports, that we should have provoked the closing of neutral ports also? Was it politic, at a time when our relations with the principal powers were in a condition so critical, to alienate from us all the neutral states of Europe? Was it wise to inflict so grievous an injury upon neutral states, as to force them to make common cause with the enemy? It is scarcely possible to describe at what peril the commerce of the world was carried on. The proceedings of the Court of Admiralty are full of the most romantic incidents. An American ship,¹⁰ with a cargo of tobacco, was sent from America to Vigo, or to a market for sale. At Vigo the tobacco was sold under contract to deliver it at Seville, at the master's risk, and the vessel was going to Seville to deliver the cargo when she was captured. A British vessel¹¹ was separated from her convoy during a storm, and brought out by a French lugger which came up, and told the master to stay by her till the storm moderated, when they would send a boat on board. The lugger continued alongside, sometimes ahead, and sometimes astern, and sometimes to windward, for three or four hours. But a British frigate, coming in sight, gave chase to the lugger and captured her, during which time the ship made her escape, rejoined the convoy, and came into Poole. Ships were taken because they were sailing to false destinations, under false papers, false flags, false certificates of ownership, and false bills of sale. They were seized for running the blockade, and for escaping from blockaded ports. They were arrested for carrying despatches, military men, and contraband of war. In every way, at every point of the ocean, the pursuit was carried on, till the seas were cleared of merchant ships, and the highway of nations, the widest and freest arena for trade, was converted into an amphitheatre for the display of the wildest and worst excesses of human cupidity and passions.

But a greater evil than even this extreme derangement of maritime commerce was that which flowed from the system of licenses,¹² an evil which undermined the first principles of commercial morality. It was forcibly stated by the Marquis of Lansdowne,

¹⁰ The 'Atlas,' 3 *Rob Rep*, p. 299

¹¹ The 'Edward and Mary,' 3 *Rob Rep*, p. 305.

¹² The number of commercial licenses granted for imports and exports was 68 in 1802, 836 in 1803, 1,141 in 1804, 791 in 1805, 1,620 in 1806, 2,606 in 1807, 4,910 in 1808, 15,226 in 1809, 18,356 in 1810, and 7,602 in 1811.

that the commerce of the country was one mass of simulation and dissimulation; that our traders crept along the shores of the enemy in darkness and silence waiting for an opportunity of carrying into effect the simulative means, by which they sought to carry on their business; that such a system led to private violation of morality and honour of the most alarming description; and that, instead of benefiting our commerce, manufactures, and resources, the orders in Council diminished our commerce, distressed our manufactures, and lessened our resources. Yet all these warnings and expostulations were unheeded. The national mind was pre-occupied by the *one* thought of compelling France and her military leader to a complete submission; and no consideration of a commercial or pecuniary character, no regard to the bearing of her measures upon other countries, were sufficient to induce a reversal of this military and naval policy.

Upwards of fifteen years had elapsed since the first shot was fired between England and France after the Great Revolution, and yet the two nations were as intent as ever on securing their mutual destruction. England had indeed learnt, by this time, to make light of all such decrees, and she had found by experience that British goods found their way to the Continent in spite of all vindictive measures. But the attitude of the United States became more and more threatening, and the nation saw an absolute necessity for revising the policy of the orders in Council. For years past Lord Temple, Lord Castlereagh, Mr. Perceval, Sir John Nichols, had brought the subject before the House, and many a long discussion had taken place on the subject. In their opinion this country had, without any alleged provocation from the United States of America, interrupted nearly the whole of their commerce with Europe, and they held that such orders in Council were unjust and impolitic, and that the issuing of them, at the time and under the circumstance, was an act of the utmost improvidence and rashness. Yet the nation was disposed to be guided by the Government, and when Lord Grenville moved resolutions of similar import, in 1809, he met with no better response. When, however, the United States, after having passed the Non-intercourse Act, proceeded still further in the way of preparation for open hostilities, the merchants began to speak their mind on the subject; and from London, Hull, Bristol, and all the chief ports, petitions came to the Legislature praying for the revocation of the obnoxious orders. The merchants of London represented that trade was in a miserable condition, chiefly from the want of the customary intercourse with the continent of Europe; that employment was very scarce, and the wages of labour very low; that the aspect of affairs threatened additional suffering to those then experienced, that since all the evils then suffered were owing to the continuance of the war, it was all-important to obtain, if possible, an early restoration of the

blessings of peace ; that it was not from any dread of the enemy that they made such a request, but from a desire that no opportunity might be lost of entering into negotiations for the purpose ; that, in their opinion, it was a great error to suppose that the policy of the orders in Council could in any way be beneficial to trade ; but that, on the contrary, they regarded with extreme apprehension its effect on our relations with the United States of America. The merchants of Hull complained that the system of license sapped public morals ; those of Bristol represented that they suffered intensely in their general trade ; and riots occurred in Lancashire, Yorkshire, and Cheshire.

On April 28, 1812, the House of Commons agreed, without a division, to hear evidence in support of these petitions ; and, on June 16, Mr., afterwards Lord, Brougham moved, ‘That an humble address be presented to his Royal Highness the Prince Regent, representing to his Royal Highness that this House has, for some time past, been engaged in an enquiry into the present depressed state of the manufactures and commerce of the country, and the effects of the orders in Council issued by his Majesty in the years 1807 and 1809 ; assuring his Royal Highness that this House will at all times support his Royal Highness, to the utmost of its power, in maintaining those just maritime rights which have essentially contributed to the prosperity and honour of the realm ; but beseeching his Royal Highness that he would be graciously pleased to recall or suspend the said orders, and to adopt such measures as may tend to conciliate neutral powers, without sacrificing the rights and dignity of his Majesty’s Crown.’ In the most graphic manner Lord Brougham depicted the distress of the country, showed how erroneous was the idea that what we lost in the European trade we gained in any other quarter, and warned the country of the certainty of a war with America if the orders were not at once rescinded. ‘I know,’ he said, ‘I shall be asked, whether I would recommend any sacrifice for the mere purpose of conciliating America. I recommend no sacrifice of honour for that or for any purpose ; but I will tell you that I think we can well, and safely, for our honour, afford to conciliate America. Never did we stand so high since we were a nation in point of military character. • We have it in abundance, and even to spare. This unhappy and seemingly interminable war, lavish as it has been in treasure, still more profuse of blood and barren of real advantage, has at least been equally lavish of glory. Its feats have not merely sustained the warlike fame of the nation, which would have been much ; they have done what seemed scarcely possible—they have greatly exalted it. They have covered our arms with immortal renown. Then, I say, use this glory—use this proud height on which we now stand for the purpose of peace and conciliation with America. Let this and its incalculable benefits

be the advantage which we reap from the war in Europe, for the fame of that war enables us safely to take it. And who, I demand, give the most disgraceful counsels—they who tell you we are in military character but of yesterday, we yet have a name to win, we stand on doubtful ground, we dare not do as we list for fear of being thought afraid; we cannot, without loss of name, stoop to pacify our American kinsmen? or I, who say we are a great, a proud, a warlike people; we have fought everywhere, and conquered wherever we have fought; our character is eternally fixed—it stands too firm to be shaken; and, on the faith of it, we may do towards America safely for our honour that which we know our interests require? This perpetual jealousy of America! Good God! I cannot, with temper, ask on what it rests. It drives me to a passion to think of it! Jealousy of America! I should as soon think of being jealous of the tradesman who supplies me with necessities, or the client who entrusts his suits to my patronage. Jealousy of America! whose armies are as yet at the plough, or making, since your policy has willed it, so awkward (though improving) attempts at the loom—whose assembled navies could not lay siege to an English harbour! Jealousy of a power which is necessarily peaceful as well as weak, but which, if it had all the ambition of France, and her armies to back it, and all the navy of England to boot—nay, had it the lust of conquests which marks your enemies and your own army as well as navy to gratify, it is placed at so vast a distance as to be perfectly harmless! And this is the nation of which, for our honour's sake, we are desired to cherish a perpetual jealousy for the ruin of our best interests. I trust, sir, that no such phantom of the brain will scare us from the path of our duty. The advice which I tender is not the same which has at all times been offered to this country. There is one memorable era in our history when other uses were made of our triumphs from those which I recommend. By the Treaty of Utrecht, which the reprobation of ages has left inadequately censured, we were content to obtain, as the whole price of Ramiilles and Blenheim, an additional share of the accursed slave trade. I give you other counsels. I should have you employ the glory which you have won at Talavera and Corunna in restoring your commerce to its lawful, open, honest course; and rescue it from the mean and hateful channels in which it has lately been confined. And if any thoughtless boaster, in America or elsewhere, should vaunt that you have yielded through fear, I would not bid him wait until some new achievement of our arms put him to silence, but I would counsel you in silence to disregard him.'

The effect of such an appeal was fatal to the whole system. The Government saw that resistance was no longer possible, and on April 21 the Prince Regent made a declaration that the orders in Council would be revoked as soon as the Berlin and Milan decrees

should be repealed. But it was too late. America had by this time ceased to maintain a neutral attitude. And having made a secret treaty with Napoleon, she laid an embargo on all British vessels in American ports, declared war against England, and proceeded to make an ineffectual attack upon Canada. The political condition of Europe, however, at this stage happily assumed a brighter aspect. The long-desired peace began to dawn on the horizon, and in rapid succession the news came of the battle of Leipzig, the entry of the Allies into Paris, and the abdication of Bonaparte. Negotiations then commenced in earnest, and they issued in the treaty of peace and Congress of Vienna, which once more restored order and symmetry in the political organisation of Europe.¹³ On December 24, 1814, a treaty of peace was signed between the United Kingdom and the United States. On June 9, 1815,¹⁴ the principal act of the Congress of Vienna was signed, which established the future political relations of the European states, and laid down the regulations for the free navigation of rivers. And on July 27 of the same year a treaty of commerce was concluded between Great Britain and the United States of America.

APPENDIX.

Decree of the Emperor of the French declaring the British Islands in a State of Blockade, and prohibiting all Commerce with England; issued at Berlin, November 21, 1806, and known as the Berlin Decree.

The Imperial Camp at Berlin: November 21, 1806.

NAPOLEON, Emperor of the French and King of Italy. Whereas—

1. England does not follow the Law of Nations, universally followed by all civilised (*polités*) peoples, in—

2. That she declares an enemy every individual belonging to a state at war, and considers, therefore, as prisoners of war not only the crews of armed war ships, but also the crews of merchant vessels, and even agents of commerce, and merchants who travel on their commercial affairs;

¹³ The total cost of the war with France, from 1793 to 1815 (the war expenditure continued till 1817), was 831,446,449*l.* The national debt, which in 1793 amounted to 247,874,434*l.*, rose in 1815 to 861,039,049*l.*

¹⁴ The treaties of Vienna had to deal with the financial as well as with the political condition of States. By agreement dated August 10, 1815, France became bound to pay 185,840,180*fr.* to the Allied Powers for the maintenance of the 1,135,000 men, the army of occupation. And by the treaty of November 15 France undertook to pay 700,000,000 *fr.* to the Allied Powers as war contribution, to pay all legitimate debts, and also the expense of occupation of 150,000 men for five years. Numerous claims were, moreover, made by the Banks of Hamburg, Amsterdam, Genoa, the Swiss bankers, and many merchants for losses and destruction of their property, amounting in all to 2,700,000,000 *fr.*, and all these claims were settled by means of loans contracted with the banking houses of Baring and Hope.

3. That she extends to merchant ships and merchandise of trade, and to the property of private persons the right of capture, which should only be applied to what belongs to the State at war ;

4. That she extends to towns and ports of commerce not fortified, to docks, and to the mouths of rivers the right of blockade, which, according to the usage of all civilised peoples, is only applicable to fortified places ,

That she declares as blockaded places before which there is not a single war vessel, though a place is not blockaded except when really invested, so that it is impossible to approach to it without an eminent danger ;

That she declares also in a state of blockade places which all the united forces would be incapable of blockading, such as entire coasts and a whole empire ;

5 That this monstrous abuse of the right of blockade has no other object but to hinder communication between nations, and so to raise the commerce and industry of England on the ruin of the industry and commerce of the Continent ;

6. That, such being the evident object of England, whosoever trades on the Continent in English merchandise favours thereby her designs, and makes himself an accomplice ;

7. That this conduct of England, worthy of the first ages of barbarism, has profited that power to the injury of all the other powers ,

8. That, by natural law, one has a right to oppose to the enemy the arms which he himself uses, and to combat him in the same manner as he combats, when he ignores all ideas of justice and every liberal sentiment, the result of civilisation among men—

We have resolved to apply to England the usages which she has established in her maritime legislation

And the regulations of the present decree shall be held as fundamental principles of the Empire, until England recognises that the law of war is one and the same on land and at sea, that she cannot extend the same to any private property whatever, nor to persons strangers to the profession of arms, and that the laws of blockade must be restricted to fortified places really invested by sufficient forces

We have, consequently, decreed, and do decree, as follows :—

Article I.—The British Islands are declared in a state of blockade

Article II.—All commerce and all correspondence with the British Islands are prohibited.

Consequently, letters or packets addressed to either England or to an Englishman, or written in the English language, shall have no circulation through the post, and will be seized.

Article III.—Every individual English subject, of whatever state and condition, found in the countries occupied by our troops or by those of our allies will be made prisoner of war.

Article IV.—Every warehouse, every merchandise, every property, of whatever nature it be, belonging to an English subject will be declared good prize.

Article V.—Commerce in English merchandise is prohibited, and every merchandise belonging to England, or obtained from her manufactures and her colonies, will be declared good prize.

Article VI.—The half of the produce of the confiscation of merchandise and property declared good prize by the preceding articles will be used to indemnify the merchants for the losses which they have suffered by the capture of merchant ships by English cruisers.

Article VII.—No ship coming direct from England or English colonies, or having been there since the publication of the present decree, shall be received in any port.

Article VIII.—Every ship which, by means of a false declaration, should break the above regulations will be seized, and the ship and cargo will be confiscated as if they were English property.

Article IX.—Our Prize Court of Paris is charged with a definitive judgment of all disputes which may arise in our Empire or in places occupied by the French army relating to the execution of the present decree. Our Prize Court at Milan will be charged with the definitive judgment of said disputes which may arise on the same in all the extent of the kingdom of Italy.

Article X.—Communication of the present decree will be given by our Minister of Foreign Affairs to the King of Spain, Naples, Holland, Etruria, and to our allies whose subjects are victims the same as our own of the injustice and barbarism of the English maritime legislation.

Article XI.—Our Ministers of Foreign Affairs, of War, Marine, and Finances, of Police, our General Directors of Post, are charged each for what it may concern him with the execution of the present decree.

(Signé) NAPOLEON.

HUGUES MARET.

Secrétaire d'État.

At the Court at the Queen's Palace, January 7, 1807.

PRESENT.—The King's Most Excellent Majesty in Council.

Whereas the French Government has issued certain orders which, in violation of the usages of war, purport to prohibit the commerce of all neutral nations with his Majesty's dominions, and also prevent such nations from trading with any other country in any articles the growth, produce, or manufacture of his Majesty's dominions; and whereas the said Government has also taken upon itself to declare all his Majesty's dominions to be in a state of blockade at a time when the fleets of France and her allies are themselves confined within their own ports by the superior valour and discipline of the British navy; and whereas such attempt on the part of the enemy would give to his Majesty an unquestionable right of retaliation, and would warrant his Majesty in enforcing the same prohibition of all commerce with France which that power vainly hopes to effect against the commerce of his Majesty's subjects, a prohibition which the ingenuity of his Majesty's naval forces might enable him to support by actually investing the ports and coasts of the enemy with numerous squadrons and cruisers, so as to make the entrance and approach thereto manifestly dangerous; and whereas his Majesty, though unwilling to follow the example of his enemies by proceeding to an extremity so distressing to all nations not engaged in the war and carrying on their accustomed trade, yet feels himself bound by due regard to the just defence of the rights and interests of his people not to suffer such measures to be taken by the

enemy, without taking sure steps on his part to restrain the violence and to retort upon them the evils of their own injustice—his Majesty is thereupon pleased, and with the advice of his Privy Council to order, and it is hereby ordered, that no vessel shall be permitted to trade from one port to another, both which ports shall belong to or be in the possession of France or her allies, or shall be so far under their control as that British vessels may not freely trade thereat; and the commanders of his Majesty's ships of war and privateers shall be and are hereby instructed to warn every neutral vessel coming from any such port and destined to another such port to discontinue her voyage, and not to proceed to any such port; and any vessel, after being so warned, or any vessel coming from any such port, after a reasonable time shall have been afforded for receiving information of this his Majesty's order, which shall be found proceeding to another such port, shall be captured and brought in, and together with her cargo shall be condemned as lawful prize. And his Majesty's principal Secretaries of State, the Lords Commissioners of the Admiralty, the Judges of the High Court of Admiralty and Court of Vice-Admiralty, are to take the necessary measures herein as to them shall respectively appertain.

W. FAULKNER

At the Court at the Queen's Palace, November 11, 1807.

PRESENT.—The King's Most Excellent Majesty in Council.

Whereas certain orders, establishing an unprecedented system of warfare against this kingdom, and aimed especially at the destruction of its commerce and resources, were some time since issued by the Government of France, by which 'the British Islands were declared to be in a state of blockade,' thereby subjecting to capture and condemnation all vessels, with their cargoes, which should continue to trade with his Majesty's dominions,

And whereas by the same order 'all trading in English merchandise is prohibited, and every article of merchandise belonging to England, or coming from her colonies, or of her manufacture, is declared lawful prize;'

And whereas the nations in alliance with France and under her control were required to give, and have given, and do give effect to such order,

And whereas his Majesty's order of January 7 last has not answered the desired purpose, either of compelling the enemy to recall those orders or of inducing neutral nations to interfere with effect to obtain their revocation but, on the contrary, the same have been recently enforced with increased vigour,

And whereas his Majesty, under these circumstances, finds himself compelled to take further measures for asserting and vindicating his just rights and for supporting that maritime power which the exertion and valour of his people have, under the blessings of Providence, enabled him to establish and maintain, and the maintenance of which is not more essential to the safety and prosperity of his Majesty's dominions than it is to the protection of such states as still retain

their independence, and to the general intercourse and happiness of mankind—

HIS Majesty is therefore pleased, by and with the advice of his Privy Council, to order, and it is hereby ordered, that all the ports and places of France and her allies, or of any other country at war with his Majesty, and all other ports or places in Europe from which, although not at war with his Majesty, the British flag is excluded, and all ports or places in the colonies belonging to his Majesty's enemies, shall from henceforth be subject to the same restrictions in point of trade and navigation as if the same were actually blockaded by his Majesty's naval forces in the most strict and rigorous manner. And it is hereby further ordered and declared that all trade in articles which are of the produce or manufacture of the said countries or colonies shall be deemed and condemned to be unlawful; and that every vessel trading from or to the said countries or colonies, together with all goods or merchandise on board, and all articles of the produce or manufacture of the said countries or colonies, shall be captured and condemned as prize to the captors.

But although his Majesty would be fully justified by the circumstances above recited in establishing such system of restrictions with respect to all countries and colonies of his enemies, without exceptions or qualifications, yet his Majesty being nevertheless desirous not to subject neutrals to any greater inconvenience than is absolutely inseparable from the carrying into effect his Majesty's just determination to counteract the designs of his enemies and to retort upon his enemies themselves the consequences of their own violence and injustice, and being yet willing to hope that it may be possible (consistently with that object) to allow neutrals the opportunity of furnishing themselves with colonial produce for their own consumption and supply, and even to leave open for the present such trade with his Majesty's enemies as shall be carried on directly with the ports of his Majesty's dominions or of his allies in the manner hereinafter mentioned—

HIS Majesty is therefore pleased further to order, and it is hereby ordered, that nothing herein contained shall extend to subject to capture or condemnation any vessel, or the cargo of any vessel, belonging to any country not declared by the order to be subjected to the restrictions incident to a state of blockade, which shall have cleared out with such cargo from some port or place of the country to which she belongs, either in Europe or in America, or from some free port in his Majesty's colonies. Under circumstances such trade from such free ports is permitted direct to some port or place in the colonies of his Majesty's enemies, or from those colonies direct to the country to which such vessel belongs, or to some free port in his Majesty's colonies, in such cases and with such articles as it may be lawful to import into such free port. Not to any vessel or the cargo of any vessel belonging to any country not at war with his Majesty which shall have cleared out under such regulations as his Majesty may think fit to prescribe, and shall be proceeding direct from some port or place in this kingdom, or from Gibraltar or Malta, or from any port belonging to his Majesty's allies, to the port specified in his clearance; nor to any vessel or the cargo of any vessel belonging to any country not at war with his

Majesty which shall be coming from any port or place in Europe which is declared by this order to be subject to the restrictions incident to a state of blockade, destined to some port or place in Europe belonging to his Majesty, and which shall be on her voyage direct thereto. But these exceptions are not to be understood as exempting from capture or confiscation any vessel or goods which shall be liable thereto in respect of having entered or departed from any port or place actually blockaded by his Majesty's squadrons or ships of war, or for being enemy's property, or for any other cause than the contravention of the present order.

And the commanders of his Majesty's ships of war and privateers, and other vessels acting under his Majesty's commission, shall be, and are, hereby instructed to warn every vessel which shall have commenced her voyage prior to any notice of this order, and shall be destined to any port of France or her allies, or of any other country at war with his Majesty, or to any port or place from which the British flag, as aforesaid, is excluded, or to any colony belonging to his Majesty's enemies, and which shall not have cleared out as is hereinbefore allowed, to discontinue her voyage and to proceed to some port or place in this kingdom, or to Gibraltar or Malta: and any vessel which, after having been so warned, or after a reasonable time shall have been afforded for the arrival of information of this his Majesty's order at any port or place from which she sailed, or which, after having notice of this order, shall be found in the prosecution of any voyage contrary to the restrictions contained in this order, shall be captured, and, together with her cargo, condemned as lawful prize to the captors.

And whereas countries not engaged in the war have acquiesced in these orders of France, prohibiting all trade in any articles the produce or manufactures of his Majesty's dominions, and the merchants of those countries have given countenance and effect to those prohibitions by accepting from persons styling themselves commercial agents of the enemy, resident at neutral ports, certain documents termed 'certificates of origin,' being certificates obtained at the ports of shipment, declaring that the articles of the cargo are not of the produce or manufacture of his Majesty's dominions, or to that effect;

And whereas this expedient has been directed by France, and submitted to by such merchants as part of the new system of warfare directed against the trade of this kingdom and as the most effective instrument of accomplishing the same, and it is therefore essentially necessary to resist it—

His Majesty is therefore pleased, by and with the advice of his Privy Council, to order, and it is hereby ordered, that if any vessel, after reasonable time shall have been afforded for receiving notice of this his Majesty's order at the port or place from which such vessel shall have cleared out, shall be found carrying any such certificate or document as aforesaid, or any document referring to or authenticating the same, such vessel shall be adjudged lawful prize to the captor, together with the goods laden therein belonging to the person or persons by whom or on whose behalf any such document was put on board.

And the Right Hon. the Lords Commissioners of his Majesty's

Treasury, his Majesty's principal Secretaries of State, the Lords Commissioners of the Admiralty, and the Judges of the High Court of Admiralty and Courts of Vice-Admiralty are to take the necessary measures herein as to them shall respectively appertain.

W. FAULKNER.

Decree of the Emperor of the French against the Regulations of the English Government of November 11. Date, Milan, December 17, 1807. Known as the Milan Decree.

From our Royal Palace, Milan December 17, 1807.

NAPOLEON, Emperor of the French, King of Italy, and Protector of the Rhine Confederation.

Seen the orders emanated from the British Government, dated November 11 last, which subject ships of neutral powers, friends and even allies of England, not only to search by English cruisers, but also to an obligatory stay in England, and to an arbitrary imposition of so much per cent. on their cargoes, to be regulated by the English legislation.

Whereas by these acts the British Government has denationalised the ships of every nation in Europe, since it is not within the power of any government to limit its independence and its rights, all the sovereigns of Europe being solidaries of the sovereignty and independence of their flags; and if, by an inexcusable weakness, and which would be an unblottable spot to the eye of posterity, we should allow the settlement in principle and the establishment in usage of such a tyranny, the English would take steps to have it established by law, as they profited by the tolerance of this Government in establishing the infamous principle that the flag does not cover the merchandise and in giving to their right of blockade an arbitrary extension, contrary to the sovereignty of every state—We have decreed, and do decree, as follows:—

Article I.—Every ship, of any nation whatsoever, which shall suffer the search of an English vessel, submit to a voyage to England, or have paid any tax whatever to the British Government, shall by that act itself be declared denationalised, lose the guarantee of her flag, and be considered as English property.

Article II.—Whether the said ships thus denationalised by the arbitrary measures of the British Government enter our ports or those of our allies, or whether they fall in the hands of our war ships or of our privateers, they are equally declared good and valid prize.

Article III.—The British Isles are declared in a state of blockade by sea as well as by land. Every ship, of whatever nation, whatever her cargo, cleared from the ports of England, or English colonies, or from countries occupied by English ports, or going to England, or to English colonies, or to places occupied by English troops, shall be good prize, as breaking the present decree. They will be captured by our war ships or by our privateers, and adjudicated to the captor.

Article IV.—These measures, which are dictated by just reciprocity for the barbarous system adopted by the British Government, which assimilates her legislation to that of Algiers, will cease to have effect for all nations which shall be able to compel the British Government

to respect their flags. They will continue to be in force until the British Government returns to the principles of the law of nations which regulates the relations of civilised states in a state of war. The regulations of the present decree will be abrogated and null by the fact as soon as the British Government shall have returned to the principles of the law of nations, which are also those of justice and honour.

Article V.—All our ministers are charged with the execution of the present decree, which will be inserted in the ‘Bulletin of Laws.’

(Signed) NAPOLEON.

Decree of Fontainebleau. Decree against the Commerce of Great Britain.

Palais of Fontainebleau, October 19, 1810.

NAPOLEON, Emperor of the French, King of Italy, Protector of the Rhenish Confederation, Mediator of the Swiss Republic.

Seen Articles IV. and V. of our Berlin Decree of November 21, 1806.

We have decreed, and do decree, as follows:—

Article I.—All merchandises whatsoever of English manufacture which are prohibited now found in France, whether in warehouses or at the custom house, to whomsoever belonging, shall be publicly burnt.

Article II.—In future all merchandises of English prohibited manufacture entered into our custom houses or obtained by capture will be burnt.

Article III.—All English prohibited merchandises found in Holland, Grand Duchy of Berg, the Hanseatic towns, and generally from the main to the sea, shall be captured and burnt.

Article IV.—All English merchandises found in our kingdom of Italy, to whomsoever belonging, shall be taken and burnt.

Article V.—All English merchandises found in our Illyrian provinces shall be taken and burnt.

Article VI.—All English merchandises found in the kingdom of Naples shall be taken and burnt.

Article VII.—All English merchandises found in the provinces of Spain occupied by our troops shall be taken and burnt.

Article VIII.—All English merchandises found in any towns and within reach of places occupied by our troops shall be taken and burnt.

(Signed) NAPOLEON.

The Minister Secretary of State,
H. B. DUKE DE BASSANO.

CHAPTER V.

*THE FOREIGN EXCHANGES AND THE
BULLION COMMITTEE.*

The Foreign Exchanges—The Par of Exchange—Exchanges between England and Ireland.—Report of Committee—State of the Coinage in Ireland.—The Bank of Ireland—State of Trade in England—The Crisis of 1810.—Committee on Commercial Credit.—The Bullion Committee.—Report of the Committee.—Mr. Horner's and Mr. Vansittart's Motions.—Effects of the Restriction Act

OF all economic questions those connected with the foreign exchanges are doubtless the most important to a mercantile nation having dealings with all parts of the world. The main principles by which the exchanges are governed are, indeed, well defined and perspicuous; yet the complicated circumstances under which they appear, the conflicting nature of these, and the difficulty of appreciating their proportional influence, contribute to render each occasion of disorder in the exchanges one of perplexity and uncertainty. During the war, and whilst the suspension of cash payments by the Bank of England lasted, the subject became immensely important, and all eyes were directed to them, to see whether they gave any indication that the country was following a dangerous course in her monetary legislation. The foreign exchanges, it should be remembered, are at all times the best exponent of the condition of international transactions. These, as might be imagined, are vast and multifarious, and comprise the imports and exports to and from each country, financial and banking operations, public loans, war expenditure, investments of capital in public and private undertakings, remittances of money, and many other items. Such transactions necessarily produce debts mutually due to or by each country, sometimes of equal amount, and sometimes leaving a balance to be settled, either by the direct transmission of gold or silver, or by the intervention of a third or fourth country. Now, it is according as the payment of these debts, or the settlement of these balances, become more or less onerous, that the exchanges are said to be in favour of or against any country.

The technical term, 'par of exchange,' expresses the amount of money of one country which is equivalent to a fixed amount of money of another country. So long as the amount of debts due by the individuals of one country is the same as the amount of

debts due by the individuals of another, and the currencies of both remain intact, the price at which bills on either side will sell in the respective places or countries will correspond to the value of the respective currencies, and the exchanges will be *at par*. Let, however, a balance of payments remain due by either country to the other, and the value of bills drawn by one country will at once be in excess of the value of bills drawn by the other, and the price at which these bills will sell will no longer correspond to the value of the respective currencies, so that the exchange will be below *par* or above *par*. This balance of indebtedness may proceed either from an excess of imports, or from any other cause creating debts in one country in favour of the other. Only it is in the nature of an adverse exchange, when resulting from such causes, to be productive of circumstances having in themselves a corrective influence. As soon, for instance, as a low rate of exchange causes the transmission of bullion to foreign countries, the Bank of England, the great depository of all the spare bullion in the country, feels the effect of the same in a drain of bullion from its coffers, and, for its own safety, it restricts its accommodation by raising the rate of interest. Speculation is thus arrested. The demand for produce and manufactures lessens, and prices fall to a point sufficiently low to tempt foreign buyers to the market. Orders then coming more plentifully, the debts of foreign countries increase, and that produces a gradual equation of indebtedness. In the event of any alteration taking place in the currency of one of two countries, from the wear or debasement of a metallic currency, or from excess of paper currency not convertible into cash on demand, a similar effect on the exchange will appear. A fall having taken place in the intrinsic value of a given portion of one currency, that portion will no longer be equal in value to a given amount of the currency of the other country, and the rate of exchange will be altered. There is no corrective influence, however, operating against this cause of disorder in the exchanges except the restoration of the currencies to their proper metallic standard.

At the commencement of this century, partly from the want of close communication between the two countries, and partly from the difference of currencies, there was an exchange quoted between England and Ireland.¹ For many years the rate was about 9 per cent., and in 1798 it was 9 to $9\frac{3}{4}$ per cent., but after 1801 the exchanges rose gradually, till in 1803 the rate rose to 14, and even 18 per cent. To what was this to be ascribed? One thing was noted, viz. that whilst the exchange with Belfast, where bills were purchased by guineas, was at 10 per cent., the exchange with Dublin, where bills were purchased by Bank of Ireland and other

¹ See *Observations on the State of the Currency in Ireland, and upon the Course of Exchange between Dublin and London*. By Henry Parnell. London, 1804.

bank notes, was at 18, or at a rate decidedly against Ireland. It did not appear that the balance of trade was in favour of England and against Ireland. On the contrary, the balance of pecuniary transactions was greatly in favour of Ireland, and, consequently, the real exchange ought to have been under par. In these circumstances a committee of the House of Commons was appointed to enquire into the state of Ireland as to its circulating paper, its specie, and current coin, and the exchange between that part of the United Kingdom and Great Britain. The committee examined many witnesses, and they had no difficulty in divining the cause of the derangement. The Bank of Ireland followed that of England as to the restriction of cash payments in 1797, though without any absolute necessity; and it is to the consequences of that restriction that the committee attributed the unfavourable exchange and all the high and progressive advances of the rate.

In the words of the report, 'Such restriction compelled the Bank to refrain from sending into circulation gold, the only common medium between the countries, and gave occasion to the great issue of paper which followed to replace the gold so withdrawn, and removed, at the same time, the best and most effective check against the depreciation of that paper, namely, its convertibility into gold at the will of the holder; it tended to encourage an unlimited and over-abundant issue, by releasing the Bank from performing their engagements, and by taking away from them the former criterion, namely, the diminution of their gold, which they were accustomed to look to, for judging when their paper became excessive; it promoted a new and unrestrained trade in paper currency, and excited individuals to speculations which interfered with the steady, natural rates of exchange; while the number of speculators so encouraged contributed to raise the price of bills on England, which, being paid for in depreciated paper, the rate of exchange rose proportionally. Other evil consequences followed, which tended, in a further degree, to assist in depreciating paper; forgeries were multiplied, particularly of the smaller notes substituted for gold; additional silver currency became necessary, and as it was not supplied by the Mint, its place was filled either by small notes, some as low as 6d., without the checks against forgery attending those of larger value, or by base coin fabricated and forced into circulation.'

Besides the circumstances thus related by the committee, the silver and current coin of Ireland were in a most unsatisfactory condition. The Bank of Ireland, like the Bank of England, issued a considerable quantity of silver dollars; but they circulated them at the price of 6s. Irish, though they contained the same quantity of silver as the English dollar, which passed for 5s. The supply of silver consisted of dollars only, without smaller change, and was far short of the quantity supposed to be necessary; while the

copper coinage was so defective that there was not a halfpenny in circulation. As for the remedy to this state of things, the committee expressed their opinion that it was indispensably incumbent on the directors of the Bank of Ireland to limit their paper at all times of an unfavourable exchange, during the continuance of the restriction, exactly as they would and must have done if the restriction had not existed. They recommended a diminution of the issue of paper from private bankers and other dealers, by a strict enforcement of the laws respecting the registry of bankers and the full payment of stamp duties; and also the suppression of the issue of silver notes, as soon as a proper and sufficient silver currency was procured. The committee thus placed the restriction of cash payments and the bad state of the currency in the fore-front of the causes of the disordered state of the exchanges between England and Ireland. But there were other causes also in operation. Although the balance of trade was in favour of Ireland, the balance of indebtedness was not, since she had not only to pay a portion of the interest of the national debt, but to remit large sums, amounting to about 2,000,000*l.*, to the nobility and gentry of Ireland who resided in England, the number of whom had greatly increased in consequence of the political insecurity of the country. It was not so much the excess of paper currency as the number and description of issuers that engendered discredit.

No doubt, however, was ever entertained respecting the solidity of the Bank of Ireland. The bank was opened in 1783 with a capital of 600,000*l.* 4 per cent. stock; but this was increased, and in 1804 it held 1,100,000*l.* of Government securities and 400,000*l.* in money. It is true that the amount of notes in circulation was nearly 3,000,000*l.*, whilst before the restriction of the issue of specie it was only from 600,000*l.* to 700,000*l.*; but this arose from the fact, that when gold was taken out of the market the Bank had to supply its place by currency; and the want of such must have been great when we remember that the amount of specie in circulation in Ireland before the restriction was estimated at about 5,000,000*l.* The management of the issue by the Bank of Ireland was probably as good as ever it had been, only the Bank had to contend with adverse influences over which it could have no control.

But the interest taken in the state of the exchanges between England and Ireland directed public attention to the effects of the restriction of cash payments in England, especially at a time when, in the opinion of many, the state of the monetary laws was far from satisfactory. The Cash Restriction Continuance Bill, yearly brought forward, was by no means readily accepted; and it was only in view of the urgent political necessities that the measure was allowed to pass into law. The prices of grain and

provisions also began to create considerable suspicion. During the first years of the war, about 1796, when the colonial trade was so much endangered, and the French flag was driven from the ocean, a considerable demand sprang up for colonial produce, principally for Germany, in consequence of which prices rose enormously. But these speculative prices were not maintained, and with a number of bankruptcies in Hamburg, Liverpool, and other centres of trade, a serious fall became inevitable, which wrought consternation among the merchants. In a year or two the state of trade was completely changed. With the return of an excellent harvest in 1803 and 1804, the prices of grain, notwithstanding the increased cost of production, fell considerably, and then the extremely low prices of provisions and colonial articles induced purchasers to come to the market. Still prices continued low, and up to 1805, when the crops proved very deficient, no change of any moment took place. With the orders in Council, however, in full operation, with the extreme difficulty of importing colonial and other articles, and with the Baltic shut, the prices of many articles, and especially those of hemp, linseed, tallow, and timber, rose enormously. Silk also, being very difficult to be had, rose very much in value, whilst the Non-intercourse Act passed by the United States produced a general apprehension that prices would rule very high. What had the issues of the Bank of England to do with such circumstances? Had the rise of prices been caused by an excessive amount of currency, the rise would have been uniform and general. The greatest difference, indeed, was observable in the prices of different articles, clearly showing that they were caused by events peculiar to themselves. It is true a certain amount of speculation existed, and a number of companies were started for a variety of objects; but it could not be said that they had involved the country in any extraordinary liabilities. However it be, the excitement, if there was any, did not last very long, the state of trade and the economic condition of the people not warranting the continuance of high prices. In the manufacturing districts orders were exceedingly small, and production was reduced to the minimum; and the labouring classes were suffering from the combination of high prices and want of employment. On February 24, 1808, Mr. Twining moved in the House of Commons that the House should resolve itself into a committee of the whole House upon the trade and navigation of the country, and in so doing he gave a fearful picture of the state of the working classes, and presented a petition from Bolton, signed by upwards of thirty thousand individuals suffering from want of bread. Whilst trade was in such a condition a serious misfortune greatly aggravated public anxiety. In 1809, profiting by the partial opening of the Baltic, extensive operations were carried on in that quarter, and whole fleets, accompanied by our convoys, traded with the Baltic ports. Unfor-

tunately, a convoy having been compelled to stop in Wingo Sound from contrary winds until the middle of June, the French in the meantime seized Stralsund and enforced the Continental system. As many as 600 vessels were thus arrested, and the greater part of those which ventured into the Baltic were seized and condemned, causing a loss of several millions of pounds. Thus any attempt to force a trade with blockaded places proved dangerous and often unavailing; commerce with distant countries was uncertain and unsatisfactory; and the accounts from South America, from which the most brilliant results were anticipated, proved particularly distressing to exporters.

As time advanced, the condition of trade did not improve. A commercial report,² for August 1810, quoted by Mr. Tooke, gives an interesting detail of the wretched condition of trade at this period. 'The failures of several houses of the very first respectability, both at London and at different provincial towns of Great Britain, have within the last month been unprecedented in number and importance. A West India broker, who had long been considered the first in his line, was, we are told, the prime cause of the stoppage of a banking house whose credit was previously unimpeached. The several banks in the country connected with the London house of course shared his fate; and from them the evil spread to merchants, manufacturers, traders, and, in short, to the very servants and dependents of these, numbers of whom are thrown out of employment and their families deprived of bread. Speculations in Spanish wool, an article which has fallen about 50 per cent., were considered as the origin of those unlooked-for disasters. Five Manchester houses have stopped payment in the city, and, we are sorry to add, have involved numerous industrious persons, both in town and country, in their ruin. The demands upon the five houses are said to amount to two millions; but it is supposed that their real property will ultimately cover all deficiencies. Speculative exports to South America are the rock upon which these houses have split. In consequence of these unexpected events, public credit is at the present moment as low as ever it has been in the memory of man, the fluctuations of prices in the money market is unprecedented, and the depression so considerable that premium is fallen to 2½ per cent. discount. We understand that some respectable merchants have waited upon the Bank directors in order to solicit their aid towards the alleviation of the burden with which our inland commerce is at present borne down. The result of the application is not as yet publicly known; we hope that it will prove favourable. The renewal of our intercourse with the United States of America has in some sorts benefited the manu-

² Tooke's *History of Prices*, vol. ii. p. 304.

facturing interest; but this felicitous effect is almost swallowed in the vortex of those calamities which it has been our painful duty to record.'

In 1811 a committee of the House of Commons was formed to enquire into the state of commercial credit, and in their report they attributed the disorder rather to temporary than to permanent derangement. They stated that the construction of the West India and London Dock warehouses, and of similar receptacles for merchandise in the principal outports within the last two years, had tended to make Great Britain the emporium of the trade, not only of the Peninsula, but of the Brazils, the Spanish settlements in South America, St. Domingo, and the conquered colonies of Guadeloupe, Martinique, and even of countries under the direct influence of the enemy, whose traders had been anxious to avail themselves of the protection of British law and of the honour of British merchants; that from these causes goods had been brought into this country in amount beyond all precedent and calculation; that the power, wealth, and high character of the nation have, in fact, contributed to produce a most alarming evil; and that, as the measures of the enemy have been especially directed to preventing the exportation of the immense quantities of merchandise of all descriptions thus accumulated, the consequences were that the goods became a burden, and the advances to the owners on account, and the payment of freight and insurance, became grievous to such a degree as to threaten the most solid and respectable houses with all the evils of insolvency. Upon the presentation of this report, confirming the complaints made out of doors, the Chancellor of the Exchequer moved for power to issue 6,000,000*l.* in Exchequer bills, to be advanced in the same manner as in 1793, and the measure was adopted.³ But how could any substantial change in the critical state of trade ever take place, so long as the orders in Council continued to trammel every trading operation?

It was in the midst of these troubles that two startling phenomena in the form of a great rise in the price of bullion and a most unfavourable state of the foreign exchanges presented themselves, and gave rise to much anxiety. At a time when the conduct of the Bank and the state of the paper currency were closely watched, in connection with the suspension of cash payments, the occurrence of two such phenomena could not fail to attract attention; and they were justly made the subjects of a special enquiry. On February 1, 1810, Mr. Horner moved for several accounts on currency and banking, and on his motion a committee was appointed to enquire into the causes of the high price of gold bullion, and to take into consideration the state of the circulating medium and of the exchanges between Great Britain and foreign parts—a com-

³ 51 Geo III c 15.

mittee which has long been well known as the Bullion Committee.⁴ Certain facts were established beyond doubt by the committee. First of all, the price of gold, which, according to the Mint price, is 3*l.* 17*s.* 10½*d.* per ounce of standard fineness, during the years 1806, 1807, and 1808 was as high in the market as 4*l.*, and even 4*l.* 9*s.* to 4*l.* 12*s.*, per ounce. The Continental exchanges had for some time been very unfavourable to this country; the exchanges on Hamburg and Amsterdam, for instance, being from 16 to 20 per cent. below par, and those on Paris lower still.⁵ That this could not proceed from the state of trade was evident from the fact that the exports greatly exceeded the imports. What, then, argued some, could be the reason of it but an excess of currency? Two distinct theories were held in explanation of the fact. One party affirmed that bank notes were depreciated, and that the difference between the market price and the Mint price of gold bullion was the measure of that depreciation. Another answered, that it was not bank notes that were depreciated, but specie that had risen. One party maintained that whilst the extreme limits from which the foreign exchanges could, by the nature of things, fall, in any case, was defined, and easily ascertainable, and was determined by the expense of freight, insurance, and other charges attending the sending of bullion in the state of the exchanges, there was a large excess of depression, which was not attributable to any of these causes. The other party was convinced that the depression of the foreign exchanges was in no way whatever attributable to the depression of the currency, but was entirely caused by the adverse balance of payments to be made by Great

⁴ The Bullion Committee consisted of Messrs Francis Horner (chairman), Right Hon. Spencer Perceval, Right Hon. G. Tierney, Earl Temple, Hon. F. Brand, H. Parnell, D. M. Magens, G. Johnstone, D. Giddy, W. Dickinson, Henry Thornton, Right Hon. R. B. Sheridan, Alexander Baring, W. Manning, R. Sharp, P. Glenfell, J. L. Forster, T. Thompson, J. Irving, William Huskisson, and Hon. J. Abercrombie.

⁵ The exchanges on Hamburg, Lisbon, and Paris from 1804 to 1815 were as follows —

First week in January	Hamburg, 2½ Usances	Lisbon	Paris
1804	35	62	24 2
1805	35 6	61	25 2
1806	33 5	61½	25 8
1807	34 8	61½	25 12
1808	34 4	60	24 10
1809	31 3	69	24
1810	29 3	64	22 4
1811	26 6	66	19 16
1812	27 6	68½	19 8
1813	28	71	19 1
1814	28	74	18 55
1815	32 4	67½	20 30

Britain, the remittances to the army, the Continental measures of Napoleon, and other political circumstances. One party argued, that a diminution of the quantity of bank notes would increase the value of the domestic currency, would cause the foreign exchanges to rise to par, and the market price of gold to fall to the mint price; and that the directors of the Bank of England ought to follow the same rules in fixing the extent of their issues during the restriction of cash payments, as they were obliged to do before it, and to regulate them by the foreign exchanges: enlarging them when the exchanges were favourable and bullion flowing in, and contracting them when the exchanges were adverse. The other party answered, that since the restriction there was no necessity for observing the same rules in issuing notes by discount as before, and to observe the course of foreign exchanges; but that the public demand was the best guide, and that, so long as they followed those rules, there could be no over-issue.

The report of the committee was decidedly favourable to the theory of the bullionists, and upon a review of all the facts and reasonings submitted to their consideration they reported their conclusions:—1st, That there was an excess in the paper circulation of the country, of which the most unequivocal symptom was the very high price of bullion and the low state of the Continental exchanges. 2nd, That this excess was to be ascribed to the want of a sufficient check and control of the issues of paper from the Bank of England, and originally to the suspension of cash payments, which removed the natural means of control. 3rd, That no safe, certain, and constantly adequate provision against an excess of paper currency, either occasional or permanent, can be found, except in the convertibility of all such paper into specie. 4th, That the system of the circulating medium of this country ought to be brought back, with as much speed as is compatible with a wise and necessary caution, to the original principle of cash payments at the option of the holder of bank paper. 5th, That no sufficient remedy for the present or security for the future can be pointed out, except the repeal of the law which suspends the cash payments of the Bank of England. And 6th, That early provision ought to be made by Parliament for terminating, at the end of two years, the operation of the several statutes which imposed and continued that restriction.

Upon the production of this report to Parliament in April 1811, Mr. Horner moved a series of resolutions in accordance with its recommendations. But the leading conclusions of the committee were strongly objected to in the House, and, after four nights' debate, the whole of Mr. Horner's resolutions were rejected. The first was thrown out by a majority of 151 against 75. Fourteen others were negatived without a division, and the sixteenth was rejected by a majority of 180 against 45, the majority including,

among others, Sir Robert Peel. Mr. Vansittart, however, was not content with his victory over Mr. Horner. He moved other resolutions in direct opposition, and these were agreed to after much discussion. The first ten resolutions proposed by Mr. Horner were a mere enunciation of the monetary policy of the country; but the eleventh charged the excess of currency with being the cause of the difference in value between gold and paper; and the thirteenth attributed the fall of the exchanges to the same cause. Mr Vansittart endeavoured to prove that a depreciation of the currency and an unfavourable exchange had been experienced more than once even when there was no restriction of cash payments. But what was the use of denying the depreciation of the notes as compared with gold, when, as a matter of fact, a guinea in gold was worth 26s. or 27s. in paper? It was also quite evident that the issues, though barely proportionate to the wants of trade, were still greatly in excess of the available amount of bullion. All that could be said in excuse was, that at a time when the convertibility of the note into specie was suspended by law, the Bank could no longer regulate its issues by the amount of bullion. The report of the bullion committee was, however, not followed by any legislation, and its publication had only the effect of considerably increasing the alarm already experienced, lest it should lead to a considerable contraction of credit.

Though the Restriction Act of 1797, and the other measures connected with it, made the acceptance in bank notes obligatory on the public creditor, by placing him in such a situation that if he refused bank notes when tendered to him at the Bank, in payment of his dividend, he could get nothing else, in the settlement of other obligations between individuals the restrictions had not the same effect, since bank notes had never been declared legal tender. Their circulation was only secured by the fact that gold was not obtainable, and that great inconvenience must have arisen by a refusal to accept notes. But payment in depreciated notes was the cause of considerable injury to private interests, and matters reached such a point that Lord King in 1811 issued a letter to his tenantry, giving them notice that, in consequence of the depreciated state of the paper currency, he would require payment either in guineas or in bank notes at such a sum as would, at the then market price of gold bullion, purchase gold enough to equalise the value of present and former payments. This letter having attracted great attention, Earl Stanhope brought in a bill for preventing Bank of England notes from being received for any smaller sum than the sums therein specified, and for staying proceedings upon any distress by tender of such notes. It was necessary for the greater currency of notes that proceedings upon any distress should be stayed by tender of the same. But as to any attempt to regulate the value

of bank notes in relation to gold, by preventing people from refusing or accepting them for less than the sum therein expressed, it was, on the face of it, a hopeless task. Yet the bill passed both Houses, after lengthened discussion, in which Lord Liverpool, Lord King, and other leading financiers of the day took part, and became law.⁶

AVERAGE VALUE PER CENT. OF THE CURRENCY, ESTIMATED BY THE
MARKET PRICE OF GOLD.

Year	Average Price of Gold	Average per cent. of the Value of the Currency	Average Depreciation per cent
1800	£ s d 3 17 10 $\frac{1}{3}$	£ s d. 100 0 0	£ s d Nil
1801	4 5 0	91 12 4	8 7 8
1802	4 4 0	92 14 2	7 5 10
1803	4 0 0	97 6 10	2 13 2
1810	4 10 0	86 10 6	13 9 6
1811	4 4 6	92 3 2	7 16 10
1812	4 15 6	79 5 3	20 14 9
1813	5 1 0	77 2 0	22 18 0
1814	5 4 0	74 17 6	25 2 6
1815	4 13 6	83 5 9	16 14 3
1817	4 0 0	97 6 10	2 13 2
1819	4 1 6	95 11 0	4 9 0
1820	3 19 11	97 8 0	2 12 0
1821	3 17 10 $\frac{1}{2}$	100 0 0	Nil

⁶ 51 Geo. III. c. 127.

CHAPTER VI.

RESUMPTION OF CASH PAYMENTS.

The Bank Restriction Act —The Question of a Single or a Double Standard —Authorities in favour of a Double Standard.—Adoption of a Gold Standard —The Act of 1816 —Sir Robert Peel on a Double Standard —Gold Coinage —The Bank of England and Cash Payments —Parliamentary Enquiry —Sir Robert Peel's Speech.—The Act of 1819

WITH the peace of 1815 we are commencing a new era of progress, which has scarcely ever since been interrupted. Momentous in its consequences to many states, whose limits and relations were then established, and memorable for its declaration of the free navigation of rivers and its condemnation of the slave trade, to England the Treaty of Vienna produced no political change, excepting the long-expected return to a normal condition, under which her economic resources might be fully developed. Before, however, any measure of trade and finance could receive due consideration, the exceptional condition of the Bank of England, as regards the payment of its notes, demanded legislative action, and to that public attention was first earnestly directed. From year to year the Bank Restriction Act had been renewed, but its operation was to expire on July 5, 1816. The last act on the subject, after reciting in the preamble that it was highly desirable that the Bank should, as soon as possible, resume payment of its notes in cash; and that it was expedient that the provisions of the former acts should be further continued, in order to afford time to the directors of the Bank to make such preparations as to their discretion and experience might appear most expedient for enabling them to resume payments in cash, without public inconvenience, and at the earliest period; and that a time should be fixed at which the said restrictions should cease; enacted that the said restrictions should be continued until July 5, 1818. •In truth, the transition from a paper medium to a metallic currency was dreaded by many as a great calamity. With the bankruptcy of many country bankers, and the consequent extinction of their issue, the mercantile community were anxious that no change should be made in the issues of the Bank of England, and they would have gladly postponed indefinitely the resumption of cash payments. But the country was not satisfied with protracting any longer the solution of the question, and for several years the state of the coinage and currency became the subject of serious discussion.

The immediate want of a new issue of silver coin, the money in circulation being worn and debased, raised in the first instance the whole question of a single or a double standard. In England the standard had originally been silver. From William I. to the forty-first of Henry III. silver coins were the only legal measure of property. Subsequently, however, gold coins were introduced into circulation; and as trade increased, and the country advanced in wealth, gold began to be preferred to silver. Thus by degrees the two metals acquired alike the character of legal tender, and their relative value was fixed by proclamation. But this method was attended with inconvenience, the Mint price being often above or below the market value of either metal. To avoid uncertainty, the value of the guinea was fixed by proclamation in 1717 at 21s., but no proclamation could prevent changes in the relative value of gold and silver any more than in any other commodity. The universal practice, however, of using gold as the only standard of value practically solved the difficulty, and it was when such practice had been sufficiently established, that the Legislature gave it so far the force of law as to enact,¹ that no person should be obliged to receive more than

¹ In 1773 an act was passed (13 Geo. III. c. 72) for the better preventing the counterfeiting, clipping, and otherwise diminishing the gold coin in the kingdom as a means for preserving it entire and pure. Any person to whom such coin was tendered was allowed to cut, break, or deface such piece; and if it should appear that it was unlawfully counterfeited or diminished, the person who offered it should bear the loss of the same, if otherwise, the person who cut it should bear the loss or take it at the same rate as it was coined for. In 1774, a great quantity of old silver coin having been imported below the standard weight, an act (14 Geo. III. c. 59, s. 42) was passed prohibiting such importation; no more than 25*l* was declared to be legal tender in silver coin at any one time for more than according to its value by weight after the rate of 5*s.* 2*d* for each ounce of silver. Great deficiency being experienced in the gold coin in circulation, a proposal was made to the Chancellor of the Exchequer, Lord North, 1st, That all the deficient gold coin should be called in and re-coined, 2nd, That a compensation should be made to the holders of such deficient gold coin, under certain limits and restrictions, 3rd, That, after that operation had been completed, the currency of the gold coin should in future be regulated by weight as well as by tale (which was conformable to the ancient laws of the kingdom), and that the several pieces should not be legal tender if they were diminished, by wearing or otherwise, below a certain weight, to be determined by proclamation. On January 13, 1776, the King commended the subject to the House in his speech from the throne, and, after a debate and a conference between the two Houses on May 13, they agreed in a joint address to recommend that it was proper that all guineas weighing less than 5 dwts. 8 grains, and all half-guineas weighing less than 2 dwts. 16 grains, and all quarter-guineas weighing less than 1 dwt 8 grains, should be called in and re-coined according to the established standard of the Mint, both as to weight and fineness; that the said guineas should be called in by degrees, and that the public should bear the loss arising from the deficiency and recoinage of the said guineas, provided such deficiency should not exceed the rates settled by the commission of the Treasury, and provided they should be offered in payment of the public revenue, or should be brought to such persons as his Majesty should authorise to receive and exchange the same within certain times to be appointed for that purpose. An act was then passed to that effect, and a proclamation was issued accordingly. The Bank of England having consented to receive and exchange the said guineas, 250,000*l.* was granted towards defraying

25*l.* in silver money, except by weight at the rate of 5*s.* 2*d.* per ounce. As time advanced, gold became more and more the leading coin of the realm; and, with no reason for further hesitancy, the Earl of Liverpool, following the policy initiated by his father, proceeded further in the way of demonetising the silver coin.

The weight of authority was decidedly in favour of a single standard. On this subject Sir William Petty said, 'The money in coin, which is to be the principal measure of property, ought to be made of one metal only.' Mr. Harris, a great writer on financial subjects, said 'that one only of these metals—that is, gold or silver—can be the money or standard measure of commerce in any country, for the standard measure must be invariable and keep the same proportion of value in all its parts. Such is silver with respect to silver and gold to gold. But silver and gold with respect to one another are, like other commodities, variable in their value according as the plenty of either may be increased or diminished, and an ounce of gold, that is worth a given quantity of silver to-day, may be worth more or less silver a while hence. It is therefore impossible that both these metals can be a standard measure of the value of other things at the same time.' In the same view Mr. Locke said 'that two metals, as gold and silver, cannot be the measure of commerce both together in any country, because the measure of commerce must be perpetually the same, invariably keeping the same proportion of value in all its parts, but so only one metal does and can do to itself. An ounce of silver is always an equal value to an ounce of silver, and an ounce of gold to an ounce of gold; but gold and silver change their value one to another, and one may as well make a measure—namely, a yard—whose parts lengthen and shrink as a measure of trade of materials that have not always a settled invariable value to one another. One metal, therefore, alone can be the money of account and contract and the measure of commerce in any country.' In similar terms the first Earl of Liverpool, in his celebrated treatise on the 'Coins of the Realm,' published in 1805, distinctly advocated and recommended the adoption of gold as the sole standard of value.²

Under such circumstances, and in accordance with both the course of legislation already so well established, the practice of merchants, and the opinion of the most experienced financiers, the occasion was taken of the introduction of a new silver coinage for the passing of the famous Act of 1816, which declared that thenceforth gold alone should be the standard of value, and that silver the expense of calling in and recoming the said deficient gold coin. The proclamation was issued on June 24, and commanded that all guineas more deficient in weight than the rates specified by the Treasury in 1773 should cease to be current. The principle of weighing the coins having thus been established by statute, provision was made for regulating and ascertaining, according to the established standard of the Mint, the weights to be made use of for that purpose.

² See *Mr. Wellesley Pole's Speech in the House of Commons, May 30, 1816*

should be legal tender to the extent of 40s. only; the regulation for keeping silver coin in the country being the issuing of silver coin at the rate of 66s. in the pound instead of 62s., the 4s. being a seignorage.³ By a proclamation dated January 29, 1817, all the silver coin in circulation was ordered to be exchanged throughout Britain, and in a fortnight 5,124,000*l.* of new silver coins were issued for the purpose.

The question of a single or a double standard has, since then, been debated more than once, especially on motions by Mr. Attwood and Mr. Cayley in the House of Commons; but Sir Robert Peel fully adhered to the principle of a single standard. 'I cannot see any advantage,' he said, 'derivable from the institution of a double standard. You cannot make a double standard without first defining the ratio which is to exist between the nominal value of the two metals. To say that every man should pay his debts in silver or gold, whichever he may please, without defining the relative value, would be absurd and impracticable. We might, certainly, have a double standard defining the relative value of gold and silver, and leaving it to the option of a party who had money to pay to make his payments either in gold or silver. But this very option seems defeating the object of a standard, and introducing, unnecessarily, uncertainty into contracts. It appears to me a much less simple course than that of adhering to a single standard, and a course unaccompanied by any advantage counter-vailing the loss of simplicity. Gold and silver seem to have some necessary connection from being so frequently united in common parlance; but there is no more reason that they should be united in a standard, than that gold and lead, or gold and copper, should be so united. To unite two metals, the value of which is not and cannot be a fixed ratio in a double standard, is to diminish the value and advantage of a standard. The more simple the standard the better—the very name implies unity and simplicity. It is the measure of value, and why not have one measure of value as well as one measure of length and capacity?'

Though gold has been for a considerable time practically the only standard in England, the issue of the sovereign is of comparatively recent date. In the time of Henry III. gold pieces of the value of about 10s., coined at Constantinople and known as byzants, circulated in England. Later still florences, originally struck at Florence, were in circulation, whence the name of 'florin.' In the reign of Edward III. the noble was issued, and in the reign of Edward IV. the angel and rose noble or rial were followed by the double rial or sovereign of Henry VII., which was to pass for 20s., and by the laurel of James I., of which the current value was also to be 20s. The latter coin was adopted by Charles II. at the Restoration, and was subsequently called a guinea. The original

³ 56 Geo. III c 68

value of the guinea was 20s., but in current value it rose in the reign of Queen Anne to 30s., and its value was not fixed at 21s. until, on the advice of Sir Isaac Newton, then Master of the Mint, a proclamation was issued in the reign of George I., and a new indenture made, dated May 6, 1718, in which the coin was designated a guinea or 21s. piece, and was ordered to pass for 21s. sterling.⁴ The sovereign was first put into circulation by proclamation on July 1, 1817, and was ordered to be of five pennyweights, three grains, $\frac{27 \cdot 10}{10000}$ ths troy weight of standard gold, containing 113·001 grains fine, the same weight as the pound sterling had been since 1717; that being the last of a long series of changes in the weight of a pound, from 407·990 in the reign of Edward III. in 1344, to 160 grains in the reign of Edward VI. in 1547, and 118·651 grains in the reign of Charles II. in 1651. Ever since 1717, however, or for the last 154 years, the weight of the sovereign has undergone no alteration, and a contract to pay one pound sterling has always been understood to mean a contract to pay 113·001 grains of fine gold.⁵

⁴ See *First Annual Report of the Deputy Master of the Mint*, 1870

⁵ The sovereign was ordered to have, for the obverse impression, the head of his Majesty, with the inscription 'Georgius III. D G Britanniar Rex F D,' and the date of the year, and for the reverse the image of St. George, armed, sitting on horseback encountering the dragon with a spear, the said device being placed within the ennobled Garter, bearing the motto, 'Honi soit qui mal y pense,' with a newly invented graining on the edge of the piece. The proclamation of July 1, 1817, ordered the sovereign to be of the weight of five pennyweights, three grains, $\frac{27 \cdot 10}{10000}$ ths troy weight of standard gold. The weight of the pound sterling has varied from time to time, as will be seen from the following table from *McCulloch's Dictionary* —

NUMBER OF GRAINS OF FINE GOLD IN 20s., OR THE POUND STERLING.

		Grains
1344	18 Edward III	107 990
1349	23 "	383 705
1356	30 "	358 123
1401	3 Henry IV	358 125
1421	9 " V	322 312
1464	4 Edward IV	257 850
1465	5 "	238 750
1470	49 Henry VI	238 750
1482	22 Edward IV.	238 750
1509	1 Henry VIII	238 750
1527	18 "	210 149
1543	34 "	191 666
1545	36 "	176 000
1546	37 "	160 000
1547	1 Edward VI	160 000
1549	3 "	155 294
1551	5 "	160 000
1552	6 "	160 000
1553	1 Mary	159 166
1560	2 Elizabeth	160 000
1600	43 "	157 612
1604	2 James I	141 935
1626	2 Charles I	128 780
1666	18 " II	118 651
1717	3 George I	113 001
1816	56 " III.	113 001

But the legislation respecting the coinage of the realm did not affect the resumption of cash payments by the Bank, or the discontinuance of an inconvertible paper currency. As was expected, as soon as the great exigencies of war ended, the amount of treasure in the Bank increased enormously; and consequently, in January 1817, the directors offered to pay in cash all the one-pound and two-pound notes bearing date prior to January 1816, but no demand was made. In September, also, another notice was issued to the same effect, but with no other result. In 1818, however, an unfavourable state of the exchange, caused mainly by large foreign loans contracted, and a voluntary engagement entered into by the Bank to pay the fractional part of dividends, as well as a certain portion of their notes in cash, effected a considerable drain, and the treasure was greatly reduced. It was under these circumstances that, early in February 1819, committees of both Houses were appointed to consider the state of the Bank of England with reference to the expediency of the resumption of cash payments. And both committees agreed in reporting that the best mode for restoring a metallic standard would be to permit the Bank to pay its notes in gold bullion at the Mint price instead of gold coin. According to the Lords committee various advantages attended this plan in preference to a simple resumption, in the first instance, of cash payments by the Bank. It established, equally with cash payment, the principle and the salutary control of a metallic standard, while it afforded the best prospect of avoiding or diminishing many of the inconveniences which many persons apprehended from that measure. It exempted the Bank from the obligation of providing a quantity of gold necessary to replace, in case the public should prefer coin to paper, all the smaller notes to the amount probably of 15 or 16 millions. And it continued to the Bank, and therefore to the nation at large, all the advantages to be derived from the employment of a capital equal to the amount of all the small notes in circulation.

On May 6 Mr., afterwards Sir Robert, Peel presented the report of the committee to the House of Commons, and, on the 24th, he made his famous speech on moving resolutions⁶ for the resumption

⁶ The resolutions, which were carried and formed the basis of the new law, provided, that after February 1 and before October 1, 1820, the Bank of England should be bound, on any person presenting an amount of their notes not less than of the value of sixty ounces, to pay them on demand at the rate of 4*l* 1*s* per ounce in standard gold, that between October 1, 1820, and May 1, 1821, the Bank should pay in a similar manner in gold bullion at the rate of 3*l* 19*s* 6*d* per ounce; that between May 1, 1821, and May 1, 1823, the rate of gold bullion should be 3*l* 17*s* 10½*d* per ounce, that during the first period above-mentioned the Bank should be at liberty to pay in gold bullion at any rate less than 4*l* 1*s*, and not less than 3*l* 19*s* 6*d*, per ounce, in the second period at any rate less than 3*l* 19*s* 6*d* and not less than 3*l* 17*s* 10½*d*, upon giving three days' notice in the *Gazette*, and specifying the rate, but that after doing so they should not be at liberty to raise it again, that the payments should be made in bars of ingots of the weight of 60 ounces each, and that the

of cash payments by the Bank. To his mind a return to the old standard of value was absolutely necessary, and every sound writer had come to the same conclusion with Sir Isaac Newton, that a certain weight of gold bullion, with an impression on it denoting it to be of a certain weight and fineness, constitutes the only true, intelligible, and adequate standard of value. Sir Robert Peel proved, by historical facts relating to the reformation of the coinage in the reigns of Edward I., Queen Elizabeth, and William III., that the restoration of the value of the currency was always a striking political feature in the history of this country, and concluded with urging the adoption of the sound policy he had indicated in the following terms:—‘Let us adhere,’ he said, ‘to that good faith in time of peace, and towards the public creditor, which we practised in war and towards those foreigners whose country was at war with us. Let us recollect that the fluctuations of price which an inconvertible paper currency occasions are injurious to the labourer, who finds no compensation in the rise of his wages at one time for the evils inflicted by a depression of another. Every consideration of sound policy—every obligation of strict justice—should induce us to restore the ancient and permanent standard of value.’ The justness and soundness of these remarks carried conviction in the mind of everyone; and though petitions from merchants and bankers continued to be presented, recommending caution or offering a decided opposition, the bill for the resumption of cash payments met with scarcely any opposition, and became the famous Act of 1819.⁷

Bank should be able to pay any fractional sum less than 40 oz. above that in the legal silver coin, and the trade in gold bullion was declared to be free and unrestrained

⁷ 59 Geo. III. c. 49

CHAPTER VII.

COMMERCIAL AND ECONOMIC PROGRESS, 1801-1821.

Condition of France and other Countries at the Termination of the War.—
 Operation of War on the Rise and Fluctuations of Prices—Population of
 the United Kingdom in 1801 and 1821.—Amount of Property assessed to
 Income Tax in 1814-15.—Savings Banks—Advance of Science in Eng-
 land—Progress of Geography and Navigation—Diagrams of the Price of
 Wheat and other Commodities, 1760-1820

YEARS of warfare, pursued with the utmost vigour, and on a scale altogether unprecedented, paralysed and destroyed the resources of most states in Europe, and left them in many cases ruined and exhausted. France had to suffer the loss of the flower of her manhood, and it was long before she was able to give herself to the arts of peace. Spain immensely suffered from her war with England. Her finances were exhausted; her taxes were heavy; her industry was shattered; and she was paralysed by a terrible war in her colonies, which ended with the emancipation, one after another, of Mexico, Caracas, Brazil, Peru, and other states. Portugal, which by the aid of England succeeded in repelling Spanish invasion, concluded a treaty with England in 1807, by which British goods were to enter Portugal at a duty of 15 per cent. *ad valorem*, whilst all other goods were to pay double. In 1819 she resolved to impose heavy duties both on grain and foreign products, and to strengthen the monopoly of the Douro Company. Holland was crushed by the invasion of French troops, whilst the blockade of Texel destroyed the commerce of Amsterdam. Belgium maintained herself as well as she could, and at the reopening of the mouths of the Escaut, Antwerp was able to carry on some trade side by side with Amsterdam after the union of Belgium with Holland under the name of the Netherlands. The Treaty of Paris of 1814 restored to Holland her colonies in the East Indies, except Ceylon, the Cape of Good Hope, Demerara, and Berbice, which were annexed to England. Germany, which had so long been the battle-field of the Continent, had but little commerce left; but Prussia, which gained in political ascendancy by the treaty of 1815, began to carry into effect the principles of Frederick the Great, by abolishing the internal customs duties and adopting the principles of protection to native industry in her tariff of imports. The treaty of Prussia with the Prince of Schwarzburg-Rudolstadt,

negotiated in 1819, was the commencement of the German Customs League, well known as the Zollverein. Russia and other states were as yet far behind as commercial and industrial countries.

In England and elsewhere there was throughout the period an extreme fluctuation of prices, whilst trade continued most uncertain and speculative. At the commencement of the war a considerable fall of prices took place, caused in a great measure by the monetary crisis, which set in with force. Gradually, however, the loss of the vintage in France, the extraordinary competition in the purchase of naval stores for the belligerent powers, the prospect of war, first with one and then with another of the great producing countries, the close of the ports, and the long-continued deficiency of the crops in this country, caused prices to run up to an extraordinary height in 1795 and 1796, so high, indeed, as to cause a reduction of consumption and a consequent reaction. The following are specimens of fluctuations, taken from Mr. Tooke's 'History of Prices':—

—	1793-4	1795-6	1796-7	1798-9
Ashes, per cwt . .	24s to 31s	60s to 70s	39s to 55s	46l to 52l
Flax „ ton . .	28l „ 32l	54l „ 57l	44l „ 45l	62l „ 64l
Hemp „ „ . .	22l „ 23l	58l „ 59l	32l „ 34l	34l „ 37l
Iron, foreign, per ton	12l „ —	22l 5s „ —	— „ 19 15s	20l „ 21l 10s
Linseed, per qr. .	35s „ 40s	60s „ 63s	30s „ 35s	— „ —
Oil, Gallopoh, per ton	42l „ 46l	70l „ 71l	60l „ 63l	66l „ 68l
Rice, per cwt . .	15s „ 16s	41s „ 43s	15s „ 16s	16s „ 17s
Tallow, per cwt . .	38s „ 39s	78s „ 80s	43s „ 47s	56s „ 57s
Timber, per load	4 1s „ —	80s „ —	50s „ 55s	75s „ 80s
Coffee, Jam., per cwt.	77s „ 95s	118s „ 135s	132s „ 145s	185s „ 196s
Sugar, Muscov „	82s „ 58s	61s „ 75s	52s „ 74s	62s „ 87s
Indigo, E I sup „	7s 6d „ 9s 6d	9s 6d „ 11s	6s „ 10s	11s „ 13s 9d
Pepper, black, per lb .	13d „ —	13½d „ —	14½d „ —	22d „ —
Tobacco, per lb. . .	3d „ 5d	6½d „ 9d	8d „ 13d	11½d „ 16d

War had the effect of enhancing the prices of many articles of foreign produce and raw materials,¹ but the highest prices were realised at different times, from circumstances partly of a general character, and partly special to each article. By reference to Tooke's 'History of Prices' it will be seen that ashes, Barilla, rose from 17s. to 18s. per cwt. in 1792 to 57s. to 59s. in 1797, and to 75s. to 80s. in 1808; bristles, from 187s. per cwt. in 1792 to 227s. in 1801, and 470s. in 1809; coffee, from 109s. to 120s. per cwt. in 1792 to 165s. to 180s. in 1804; cochineal, from 13s.

¹ Mr. Tooke, in his *Thoughts and Details on High and Low Prices*, showed that it is an error to suppose that war necessarily raises the prices of provisions and commodities. Whilst a disturbance of the channels of circulation may tend to increase the cost of certain merchandises, diminished employment and national prosperity will have the effect of diminishing the demand. During war from 1740-1748 the price of beef averaged 2½ 427d per lb. During peace, 1748-1754, the average price was 2 841d per lb. During war, 1755-1762, the average was 2½ 617d per lb. During peace, 1763-74, it was 2½ 195d per lb. During war, 1775-82, the average was 3 312d per lb. During peace, 1783-92, it was 3 119d per lb.

15s. per lb. in 1792 to 52s. to 54s. in 1798; copper, from 86s. per cwt. in 1792 to 160s. in 1801 and 200s. in 1816; cotton wool, West Indies, from 1s. to 2s. per lb. in 1793 to 3s. 4d. to 4s. 7d. in 1799; flax, from 35*l.* to 37*l.* per ton in 1792 to 70*l.* to 71*l.* in 1800, and 82*l.* to 84*l.* in 1803; hemp, from 23*l.* to 25*l.* per ton in 1792 to 85*l.* to 86*l.* in 1801, and 117*l.* to 118*l.* in 1807; tallow, from 40s. per cwt. in 1792 to 55s. in 1795; tallow, from 40s. to 43s. per cwt. in 1792 to 83s. to 84s. per cwt. in 1810; oil, Memel, from 2*l.* 13s. per load in 1792 to 14*l.* in 1809; oil, from 92s. 6d. per cwt. in 1792 to 171s. 6d. in 1811; and oil, sheep's, from 4s. 6d. per lb. in 1792 to 22s. to 26s. in 1809. The annexed diagrams exhibit the effect of war on prices, the first relating to wheat only, the second relating to the principal commodities, as constructed by Prof. Jevons upon Mr. Tooke's tables.²

What was the economic condition of the country at the end of the war may be gathered from the following facts:—

The first census of the population of Great Britain was taken in 1801, and in the twenty years between 1801 and 1821 the population increased as follows:—

—	1801	1821	Increase per cent.
England and Wales . . .	9,156,000	12,173,000	32
Scotland	1,678,000	2,137,000	27
Ireland	5,320,000	6,869,000 ?	29
Isles of the British Sea . .	83,000	93,000	12
	16,237,000	21,272,000	31

Within the twenty years the population of London and eleven other principal towns increased as follows:—

—	1801	1821	Increase per cent.
London	959,000	1,379,000	43
Birmingham	71,000	102,000	42
Bradford	13,000	26,000	100
Bristol	61,000	85,000	39
Glasgow	77,000	140,000	84
Leeds	53,000	83,000	56
Liverpool	82,000	138,000	68
Manchester, with Salford . .	95,000	162,000	70
Newcastle-on-Tyne	33,000	42,000	27
Nottingham	29,000	40,000	37
Sheffield	46,000	65,000	41
Southampton	31,000	53,000	70

² On the Variation of Prices and the Value of the Currency since 1782, by Stanley Jevons, F.R.S. *Journal of the Statistical Society*, vol. xxviii p. 294.

A larger consumption of the raw materials of industry in 1821 than 1801 indicates that certain branches of productive industry were considerably developed even during the war. The consumption of cotton increased from 3·31 lbs. per head in 1801 to 6·48 lbs. per head in 1820; and of wool, foreign and colonial, from 0·45 lbs. per head in 1801 to 0·78 lbs. per head in 1820. Nevertheless, the declared value of exports decreased from 39,730,000*l.*, or 2*l.* 8*s.* per head in 1801, to 36,659,000*l.*, or 1*l.* 15*s.* per head in 1820. There was a slight decrease also in the tonnage of shipping entered and cleared, and in the registered tonnage of shipping belonging to the United Kingdom, when compared with the population, the same having been 1,986,000 tons, or 0·12 tons per head, in 1803, and 2,356,000 tons, or 0·11 tons per head, in 1821.

In 1798 Mr. Pitt estimated the income of the people in Great Britain, for the purpose of the income tax, at 45,000,000*l.*, in rents of lands, houses, &c., and 40,000,000*l.* in profits of trade and commerce. In 1814-15 the value of taxable income from lands, houses, &c., was estimated at 60,000,000*l.*, showing an increase of 15,000,000*l.* in their annual value.

The savings' banks were only opened in 1818, and in 1820 the capital invested was 2,915,000*l.* On the other hand, the amount expended for the relief and maintenance of the poor in England and Wales increased from 4,077,891*l.* in 1803 to 7,330,254*l.* in 1820.

The national funded debt rose from 97,862,000*l.* in 1760 to 801,565,000*l.* in 1820, and the annual charge on the same from 3,335,000*l.* to 28,071,000*l.*

One happy feature amidst all the destruction and poverty caused by the war was the steady advance of science and discoveries. Scarcely in any period has there been greater mental activity, both in France and England, than during the first years of the French Revolution; it must indeed be allowed that if that event has overturned many old institutions, it has also been the parent of not a few important reforms, and the herald of many novel and beneficent principles for which Europe and the world will be ever grateful. Some of the noblest principles of the civil code were established in the very midst of the revolution. We should never forget that, as by ovation, France proclaimed the abolition of slavery, not only in France but in all the French colonies; and that it was then that liberty of conscience, equality before the law, the participation of every citizen in the government of the state, the opening of the public service to merit, the incompatibility of the legislative with the executive functions, the freedom of the press and of meeting, the institution of the trial by jury, the publicity of debates, the abolition of torture, the free exercise of professions and trades, and open and free instruction to

all classes, were one and all proclaimed. Certainly these are precious conquests which marked the close of the eighteenth century, and we must hail them as the inauguration of an entirely new system of politics, economics, and legislation.

In England it was the same. 'The reign of George III.,' said Lord Brougham, 'may in some important respects be justly regarded as the Augustan age of modern history. The greatest statesmen, the most consummate captains, the most finished orators, the first historians, all flourished during this period. Though it could show no poet like Dante, Milton, Tasso, or Dryden; no dramatist like Shakespeare or Corneille; no philosopher to equal Bacon, Newton, or Locke,—it nevertheless in some branches, and these not the least important, of natural science, very far surpassed the achievements of former days, while of political science, the most important of all, it first laid the foundations, and then reared the superstructure.' In March 1799 the Royal Institution of Great Britain was formed for diffusing the knowledge and facilitating the general introduction of useful mechanical inventions and improvements, and for teaching, by courses of philosophical lectures and experiments, the application of science to the common purposes of life. And in a great historical engraving, beautifully executed, we have the most authentic portraits of upwards of fifty eminent men of science, an honour to the country which gave them birth, supposed to have met together in the upper library of that institution, just before the close of last century.³ In the central group we have the great Watt demonstrating the advantage of his improved engine to his friends Rennie, Telford, Mylne, Jessop, Chapman, Murdock, Rumford, Huddart, Boulton, Brunel, Watson, Bentham, and Maudslay, all eminent engineers and architects, constructors of navigable canals and bridges, to whom we owe such works as the Thames Tunnel and Menai Bridge, and one of whom, Murdock, was the first to apply the light of coal gas to general purposes. At the opposite side of the table, and looking towards the great engineer, is Dalton, the propounder of the atomic theory, surrounded by a group of eminent chemical philosophers, such as Davy, Hatchett, Wollaston, Henry, Allen, Howard, and Smith, the father of English geology; and, sitting in front of them, is the illustrious Cavendish. The group on the right represents Crompton, the inventor of the spinning mule; Charles Tennant, the well-known chemist and bleacher of Glasgow; Cartwright, the inventor of the power-loom; and Ronalds, who first passed an electric message through a space of eight miles made in trenches dug in his garden at Hammersmith. These are listening to Charles, Earl Stanhope, who appears as describing his printing

³ The engraving was published in 1862 by Messrs William Walker and Son, London, with *Memoirs of the distinguished men*, and an *Introduction* by Robert Hunt, F.R.S.

press and his process of stereotype printing. Behind Lord Stanhope is Bramah, the inventor of the hydraulic press, speaking to Trevethick, the inventor of the first high-pressure steam-engine and of the first successful railway locomotive. Near Earl Stanhope is Nasmyth, the Scottish Claude, and a man of science. Next to him are Miller of Dalswinton, and Symington, who invented and built the first practical steamboat. Close to Symington is Thomson, the distinguished professor of chemistry at Glasgow, who first introduced to the notice of the world Dalton's views of the theory of definite proportions, which had been privately communicated to him. Troughton, the astronomical instrument maker; Donkin, the inventor of a machine for making paper, as well as of the polygonal printing machine; and Congreve, the constructor of missiles, complete this division of the picture. The group on the left represents Herschel, the great astronomer and philosopher, conversing with his friend Maskelyne; behind whom are Baily, Frodsham, Leslie, Playfair, Rutherford, and Dollond. Dr. Young is near them, celebrated for his universal acquirements; Brown, the distinguished botanist; Gilbert and Banks, the presidents of the Royal Society; Kater, too, eminent for the part he took in the trigonometrical survey of India, and for the construction of standard weights and measures; and near to Sir William Herschel and Sir Joseph Banks, sitting in front, is Jenner, the discoverer of vaccination. Nor was the field of research confined to physical science or natural history, or its exploration to British men of science. In 1799 Humboldt visited North and South America, and commenced those travels which became so prolific in scientific results. In 1788 a society was formed for promoting the exploration of Inner Africa, and under its auspices Houghton, Mungo Park, Hornemann, and Burkhardt entered into those voyages of discovery in that continent in which in more recent days Livingstone, Baker, Speke, Grant, and Stanley have been engaged. In 1816 the British Government sent an expedition to the river Congo, then believed to be the lower course of the Joliba; and at that time, too, Polar discoveries were commenced. In 1818 Ross and Parry were despatched in search of the North-West Passage, and in 1819 Franklin first sailed to Hudson's Bay, with orders to make his way thence to the Arctic Sea and survey as much of the coast as possible.

Can we wonder that, with such a host of eminent men, the progress of the nineteenth century has been rapid and enduring? Of them may be said what Lord Jeffrey said of Playfair and his friends, 'Theirs was the understanding, at once penetrating and vigilant, but more distinguished perhaps for the caution and sureness of its march than for the brilliancy and rapidity of its movements, and guided and adorned through all its progress by the most genuine enthusiasm for all that is grand, and the justest

taste for all that is beautiful. Great men they were—men whose instinct it was to work for the world; some of them wealthy, some of them poor, with visions perchance of wealth to come, but still working for the world's welfare as the only path by which to ensure their own. These belonged to that race of pathfinders that were ever setting copies for the English nation to work by. To them most assuredly is due a great share of the more recent development of national energy. They are not dead. They live in the gratitude not only of this country but of the world.'

APPENDIX.

REVENUE AND EXPENDITURE OF GREAT BRITAIN.

(,000 omitted)

Year ended	Revenue	Expenditure	Year ended	Revenue	Expenditure
	£	£		£	£
October 10, 1793	18,131	19,623	October 10, 1797	21,380	57,649
1794	18,732	28,706	1798	26,945	47,422
1795	19,053	38,996	1799	31,733	47,419
1796	19,391	42,372	January 5, 1801	31,585	50,991

REVENUE AND EXPENDITURE OF THE UNITED KINGDOM.

Year ended	Revenue	Expenditure	Year ended	Revenue	Expenditure
	£	£		£	£
January 5, 1802	39,086	65,452	January 5, 1812	71,040	87,282
1803	41,168	54,771	1813	70,337	94,804
1804	42,442	52,998	1814	74,686	111,143
1805	50,206	62,810	1815	77,887	112,917
1806	55,031	71,383	1816	79,101	99,456
1807	60,084	72,868	1817	69,265	71,344
1808	64,843	73,269	1818	57,601	58,726
1809	69,174	78,016	1819	59,509	57,568
1810	69,170	81,530	1820	58,073	57,521
1811	72,998	81,616			

TRADE OF GREAT BRITAIN

Year	Imports	Exports British and Foreign Merchandise
	£	£
1793	16,972	17,734
1794	19,539	22,633
1795	20,100	22,240
1796	20,422	25,131
1797	17,900	23,881
1798	25,122	27,317
1799	24,067	29,557
1800	28,258	34,382

TRADE OF THE UNITED KINGDOM.
(,000 omitted)

Year	Imports Official value	Exports Real value British Produce	Year	Imports Official value	Exports Real value. British Produce
	£	£		£	£
1801	31,786	—	1812	26,163	41,717
1802	29,826	—	1813	Records de- stroyed by fire	—
1803	26,623	—	1814		45,494
1804	27,819	—	1815	33,755	51,610
1805	28,561	38,077	1816	32,987	41,654
1806	26,899	40,875	1817	27,431	41,818
1807	26,734	37,246	1818	30,834	46,471
1808	26,795	37,275	1819	36,885	35,211
1809	31,750	47,371	1820	30,777	36,424
1810	39,302	48,439		32,472	
1811	26,510	32,891			

TONNAGE OF SHIPPING BELONGING TO GREAT BRITAIN AND IRELAND.
(,000 omitted)

Year	Tons	Year	Tons
1793	1,453	1807	2,097
1794	1,456	1808	2,130
1795	1,426	1809	2,167
1796	1,460	1810	2,211
1797	1,454	1811	2,247
1798	1,494	1812	2,263
1799	1,551	1813	2,349
1800	1,698	1814	2,414
1801	1,786	1815	2,478
1802	1,901	1816	2,504
1803	1,985	1817	2,421
1804	2,077	1818	2,453
1805	2,092	1819	2,451
1806	2,080	1820	2,439

AVERAGE PRICE OF WHEAT.
Per Imperial Quarter.

Year	s. d.	Year	s. d.
1793	49 3	1807	75 4
1794	52 3	1808	81 4
1795	75 2	1809	97 4
1796	98 7	1810	106 5
1797	53 9	1811	95 3
1798	51 10	1812	126 6
1799	69 0	1813	109 9
1800	113 10	1814	74 4
1801	119 6	1815	65 7
1802	69 10	1816	78 6
1803	58 10	1817	96 11
1804	62 3	1818	86 3
1805	89 9	1819	74 6
1806	79 1	1820	67 10

PART III.

1820-1840.

FROM THE INAUGURATION OF PEACE TO THE INTRODUCTION OF POSTAL REFORMS.

CHAPTER I. THE PETITION OF LONDON MERCHANTS.

- „ II. MR. HUSKISSON'S COMMERCIAL REFORMS
- „ III. RELATIONS OF MASTERS AND SERVANTS.
- „ IV. THE COMMERCIAL CRISIS OF 1825-26.
- „ V. RAILWAYS AND SHIPPING.
- „ VI. COMMERCIAL AND ECONOMIC PROGRESS, 1821-1831.
- „ VII. FINANCE AND BANKING.
- „ VIII. CORN LAWS.
- „ IX. COMMERCIAL CRISES OF 1836 AND 1839.
- „ X. AMERICAN BANKING.
- „ XI. RELATIONS WITH INDIA AND CHINA: THE OPIUM WAR.
- „ XII. THE COLONIAL TRADE.
- „ XIII. POSTAL REFORMS
- „ XIV. COMMERCIAL AND ECONOMIC PROGRESS, 1830-1840.

CHAPTER I.

THE PETITION OF LONDON MERCHANTS.

State of the Nation.—Low Rates of Wages.—Distress in the Ribbon Trade.—Imports and Exports.—State of Commerce in 1820—Hostile Foreign Tariffs.—Petitions for Free Trade.—Principles of International Trade.—Erroneous Views of Protectionists—Prohibitory Policy not beneficial.—Need of an Investigation—Free Trade essential to remove Hostile Measures Abroad.—Petition of the Edinburgh Chamber of Commerce.—Committee on Foreign Trade.—Mr Wallace on the Foreign Trade.

IF the coffers of the Bank of England were full to repletion, the private resources of the masses of the people were never more exhausted than in the years immediately preceding the conclusion of the war, and for several years afterwards.¹ With bread at famine prices and trade greatly embarrassed, the poor suffered keenly, and considerable irritation and discontent were apparent throughout the country. Nor did the conclusion of peace produce any decided improvement. As soon as the war ended there was quite a frenzy among traders to plunge into all kinds of operations, in the expectation that there would be an eager demand for British goods, especially on the Continent. But this expectation was sadly disappointed. Notwithstanding all the orders in Council and all the Berlin and Milan decrees, every market was over-stocked with British goods. In truth, the people, everywhere impoverished by the war, could ill afford to buy goods for either comfort or luxury. And with results so disappointing, production had to be largely diminished, employment became more and more scarce, wages fell lower than before, and the working classes found it harder and harder to live. There is one unalterable law as regards wages. They depend on capital. However fertile the soil, however favourable the position of the country, however great the extent of territory, unless there be sufficient capital on hand to maintain labour, nothing can be done. Unfortunately the capital of the country at that time was greatly reduced.² The manufacturers

¹ In 1800 the wages of carpenters, masons, bricklayers, paid at the Greenwich Hospital was 18s per week. The average price of wheat, 113s. 10d per qr. The price of beef paid at St. Thomas's Hospital at Lady Day, 4s 4d. the stone. In 1810 the wages of the same class of artisans were 31s.; the price of wheat, 106s 5d; the price of meat, 5s. 8d. In 1820 the wages were 30s 6d, the price of wheat, 67s 10d; the price of meat, 4s. 10d. the stone.

² The amount of property subject to legacy duty in 1814 was 27,299,806l.; in 1824 it was 35,852,824l. The estimated entire value of personal property in

had little to spare. The sales of produce and manufactures caused loss instead of gain. And with a large number of labourers seeking employment, wages were excessively low.

The case of the common weaver seemed, indeed, peculiarly hard. He was worse off than any other class of labourers, and year by year his income was becoming less. In 1802 he earned 13s. 10d. per week; in 1806 the wages had fallen to 10s. 6d.; in 1808 they were only 6s. 7d.; in 1812, 6s. 4d.; in 1816, 5s. 2d.; and in 1817, only 4s. 3½d. per week. Deduct from this 1s. a week for the expense of the loom, and the poor weaver got only 3s. 3½d. a week to keep himself and his family. How could he live on such a pittance as this, with all the articles of food at extremely high price? The price of corn had, it is true, somewhat fallen. From the close of 1813 to the commencement of 1816 it had become so low that the landed interest was encouraged to ask for a new corn law; but from 1816 to 1817 prices rose greatly, both in this country and on the Continent; and though the excellent harvest of 1818 produced a temporary reaction, the price in 1819 soon recovered. The condition of the low-waged classes at this time was, indeed, very pitiable; and in despair they went about destroying machines, breaking down power-looms, smashing stocking-frames, and committing all manner of mischief.

Some branches of trade, such as the ribbon trade of Coventry, were, moreover, suffering from a change of system. For a long time the custom was for the ribbon manufacturer to provide the silk and the undertaker³ the looms and machinery, the work being done by himself and his family, assisted by apprentices and journeymen. Under this arrangement usually two-thirds of the wages went to the journeymen weavers for their labour, and one-third to the undertaker. So long as the demand was small no inconvenience was felt from this system. In 1812, however, a sudden large demand sprung up for ribbons with large pearl edges tapering out, and a golden age all at once dawned on the distressed weavers. Then labour became more abundant than labourers; the undertakers, pressed for work, had to employ half-pay apprentices, and the manufacturers, who had hitherto paid a uniform rate for the weaving of the silk, began to outbid each other in the labour market. Quarrels commenced, and as the weavers thought themselves aggrieved by this competition, and asked for a uniform

1814 was 1,200,000,000l., in 1824, 1,500,000,000l. The real property was valued at 49,660,728l. in 1815, which at twenty years' purchase gave a total of 993,214,560l. Total, 1814-15, 2,193,000,000l.

³ The undertaker was the person who received the silk from the master, was responsible for the return of the weight of it, and undertook to get it woven into ribbon through the medium of journeymen. As a remuneration for his trouble, and to repay him for the winding, warping, shop-room, and looms, he had a third of the earnings.

advance, the manufacturers published their first list of prices. For three years the demand for that kind of ribbon continued unabated ; but with the conclusion of peace the demand suddenly ceased, and with its cessation the trade collapsed, carrying with it failures and panic. A sudden change then occurred in the mode of carrying on the work. The large manufacturers transferred the trade to the London silk warehousemen. Many of them began to use machinery. And what with the bad state of trade, the use of machinery, and the return of many soldiers, causing the labour market to be over-stocked, wages fell miserably low, and the Coventry weavers became restless and distressed.

Taken as a whole, the trade of the country during this period exhibited more than its ordinary oscillations. In 1811 and 1812 the imports were very low, and with the prospect of peace in 1814 better days seemed to be approaching, prices rose, and a considerable animation followed. No sooner, however, was the horizon once more darkened by the return of Napoleon from Elba, than a heavy fall of prices occurred. With the final restoration of peace in 1815 a slight stimulus was given to purchases, but again the bad crops of that season checked it, and a retrograde movement ensued. The exports, too, followed a similar course. Commencing with 23,000,000*l.* as the declared value of British and Irish produce exported in 1811, the amount rose to 42,000,000*l.* in 1815 ; but as it was found that the demand was not nearly so great as was expected, the exports in 1819 fell to 33,000,000*l.* There was an increase towards 1820, when the general discredit and fear disappeared ; yet the average amount of exports in the decennium from 1811 to 1820 was not greater than in the decennium from 1801 to 1810.

Let us endeavour to form some idea of the trade of the United Kingdom in 1820, or about fifty years ago, just before free trade measures were initiated. What the real value of imports was we do not know, but the official value of foreign and colonial merchandise imported was given at 32,000,000*l.*, which, with a population of about 21,000,000, would be at the rate of about thirty shillings per head. The exports amounted in real or declared value to 36,000,000*l.*, which came to a little more than the same proportion per head. The tonnage of ships entered inwards and outwards was about 4,000,000 tons, and there belonged to the United Kingdom and its dependencies 2,648,000 tons of shipping. In almost every respect the trade of the country was far inferior to what it is at the present time. And, consequently, the condition of the people and the means of comfort within their reach were likewise restricted. The consumption of sugar was only 18 lbs. per head, and of tea 1 lb. 4 oz. Wages were low. The savings banks had scarcely any amount belonging to the labouring classes. Altogether, the resources of the nation were greatly restricted and paralysed.

Unfortunately for any prospect of improvement in the foreign trade, several countries gave themselves in earnest to alter their tariffs, and more or less adopted a policy of protection. In France the tariff of Colbert⁴ had laid down the principle of reducing the duties of exportation on all articles of French produce, diminishing the import duties on all articles required for manufactures, and excluding by high duties all foreign goods which competed with French merchandise. But there were no prohibitions in that tariff. These were first enacted three years after the death of Colbert. In 1786 the treaty concluded with England introduced a more liberal policy than had hitherto been prevalent; yet France had not attained to any unity in her tariff. She was divided, in this respect, into three divisions. The first comprised the provinces which adopted the tariff of 1664; the second, those which refused to submit themselves to it; and the third, those provinces which, when they were united to the Crown, made it a condition that their relations with foreign countries should be altogether free. The tariff of 1791 was the first applicable to the whole of France, and its leading characteristics were the abolition of all internal duties, the exclusion by prohibition of certain manufactures, the permission to import other manufactures heretofore prohibited at certain rates of duties, the total exemption from duties of articles of food and raw materials, and a progressive rate of duties on certain kinds of merchandise not exceeding in any case 25 per cent. on manufactures. In 1813, and more especially by another tariff in 1816, very high duties were imposed, and all the prohibitions were maintained, but substantially the tariff of 1791 was confirmed. There was abundant protection, therefore, in favour of French manufactures. Yet with all this France was not able to supply foreign markets with her produce and manufacture. In 1815 the total value of the imports of France for internal consumption did not exceed 8,000,000*l.*, and her exports amounted only to double that amount. In fact, the commercial dealings of France were at that time extremely small in relation especially to her large population and the position she occupied in the centre of Europe.

The experience of France, and of all countries which followed her policy, might, indeed, have deterred England from relying with any confidence on the broken reed of protection; but no intelligent opinion was formed on the subject, and the great works of Adam Smith and other economists had remained sterile of results, when, in 1820, the London merchants entrusted Mr. Alexander Baring, afterwards Lord Ashburton, with the famous petition, prepared by Mr. William Tooke, which embodied a distinct enunciation of free-trade principles, and prayed that every restrictive regulation of trade, not imposed on account of

⁴ Colbert was Controller-General of Finance to Louis XIV. in 1661

the revenue, including all duties of a protective character, might at once be repealed. As this is the first practical step in the way of commercial reform, initiated by the mercantile classes, it is well deserving of a conspicuous place in any history of our modern commerce. It is related that when Adam Smith expressed his objections to the laws of forestalling, the great Burke said to him, 'You, Dr. Smith, from your professor's chair, may send forth theories upon freedom of commerce, as if you were lecturing upon pure mathematics; but legislators must proceed by slow degrees, impeded as they are in their course by the friction of interest and the friction of prejudice.' The time had, however, now arrived when the theories on freedom of commerce, proclaimed by the economists, were urged on the Government for adoption by men of mature judgment and of a practical cast of mind, men not usually given to speculative philosophy, but intently anxious to promote their own welfare and that of their country. Nor had London alone the honour of being the pioneer of so great a stride in commercial legislation. The Edinburgh Chamber of Commerce was as explicit and conspicuous in the advocacy of a free commercial policy, and we owe it to these petitions, that the question was removed out of the pale of barren scientific teaching, and became at once the subject-matter of practical legislation. There is something so clear and pointed in the terms of these petitions that we cannot do better than give them almost *in extenso*.

The London merchants started from the first cardinal principles of trade—that foreign commerce is eminently conducive to the wealth and prosperity of the country, by enabling it to import the commodities for the production of which the soil, climate, capital, and industry of other countries are best calculated, and to export in payment those articles for which its own situation is better adapted; that freedom from restraint is calculated to give the utmost extension to foreign trade, and the best direction to the capital and industry of the country; that the maxim of buying in the cheapest market and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable as the best rule to the trade of the whole nation; and that a policy founded on these principles would render the commerce of the world an interchange of mutual advantage, and diffuse increased wealth and enjoyments among the inhabitants of each state.

The petitioners complained that the very reverse had been and was more or less adopted and acted upon by the government of this and every other country, each trying to exclude the productions of other countries with the specious and well-meant design of encouraging its own productions; thus inflicting on the bulk of its subjects, who are consumers, the necessity of submitting to privations in the quantity or quality of commodities; and thus rendering, what ought to be the source of mutual benefit and of harmony among

states, a constantly recurring occasion of jealousy and hostility. And they expressed their opinion that the prevailing prejudices in favour of the protective or restrictive system might be traced to the erroneous supposition that every importation of foreign commodities occasions a diminution or discouragement of our own productions to the same extent; whereas it might be clearly shown, that although the particular description of production which could not stand against unestrained foreign competition would be discouraged, yet as no importation could be continued for any length of time without a corresponding exportation, direct or indirect, there would be an encouragement for the purpose of that exportation of some other production for which our situation might be better suited; thus affording, at least, an equal and probably a greater and certainly more beneficial employment to our own capital and labour.

The London merchants further argued, as respects the numerous protective and prohibitory duties of our commercial code, that, while they were all operating as very heavy taxes on the community at large, very few were of any ultimate benefit to the classes in whose favour they were originally instituted, and none to the extent of the loss occasioned by them to other classes; that among the other evils of the restrictive or protective system, not the least was that the artificial protection of one branch of industry, or source of production, against foreign competition was set up as a ground of claim by other branches for similar protection; so that, if the reasoning upon which these restrictive or prohibitory regulations were founded were followed out consistently, it would not stop short of excluding us from all foreign commerce whatsoever. And that the same train of argument which, with corresponding prohibitions and protective duties, should exclude us from foreign trade, might be brought forward to justify the re-enactment of restrictions upon the interchange of productions (unconnected with public revenue) among the kingdoms composing the union, or among the counties of the same kingdom.

The petitioners maintained that an investigation of the effect of the restrictive system at that time was peculiarly called for, since it might lead to a strong presumption that the distress which so extensively prevailed was greatly aggravated by that system; and that some relief might be obtained by the earliest practicable removal of such of the restraints as might be shown to be most injurious to the capital and industry of the community, and to be attended with no compensating benefit to the public revenue. They urged that a declaration against the anti-commercial principles of our restrictive system was the more important at that juncture, inasmuch as, in several instances of recent occurrence, the merchants and manufacturers of foreign countries had assailed their respective governments with applications for further pro-

protective or prohibitory duties and regulations, urging the example and authority of this country, against which they were almost exclusively directed, as a sanction for the policy of such measures ; and that certainly, if the reasoning upon which our restrictions were defended was worth anything, it would apply in behalf of the regulations of foreign states who insisted upon our superiority of capital and machinery as we did upon their comparative exemption from taxation, and with equal foundation.

In the opinion of the London merchants nothing would tend more to counteract the commercial hostility of foreign states than the adoption of a more enlightened and more conciliatory policy on the part of this country. That although, as a matter of mere diplomacy, it might sometimes answer to hold the removal of particular prohibitions, or high duties, as depending upon corresponding concessions by other states in our favour, it does not follow that we should maintain our restrictions in cases where the desired concessions on their part cannot be obtained. Our restrictions would not be the less prejudicial to our capital and industry, because other governments persisted in preserving impolitic regulations. That, upon the whole, the most liberal would prove to be the most politic course on such occasions. That, independently of the direct benefit to be derived by this country, on every occasion of such concession or relaxation, a great object would be gained by the recognition of a sound principle or standard, to which all subsequent arrangements might be referred ; and by the salutary influence which a promulgation of such views, by the Legislature and the nation at large, could not fail to have on the policy of other states. The petitioners then added that whilst declaring their conviction of *the impolicy and injustice* of the restrictive system, and in desiring every practicable relaxation of it, they had in view only such parts of it as were not connected, or were only subordinately so, with the public revenue. As long as the necessity for the present amount of revenue subsisted, the petitioners could not expect so important a branch of it as the customs to be given up, nor to be materially diminished, unless some substitute less objectionable be suggested. *But it was against every restrictive regulation of trade, not essential to the revenue, against all duties merely protective, and partly for that of protection,* that the prayer of the petition was submitted to the wisdom of Parliament.

The Chamber of Commerce of Edinburgh, in their petition, attributed in a great measure the existing depression to the straitened condition of foreign commerce, the heavy duty on imports tending directly to lessen the demand for the produce of this country. They treated as erroneous the doctrine that wealth is promoted by an excess of exports, but alleged that, on the contrary, the profits of trade are realised by an excess of imports.

They conceived that the best way to increase foreign commerce is to encourage the industry of foreign nations by admitting at low duties their produce. They complained that the system of restrictive commerce had been followed by the governments of other nations; and they expressed their opinion that whatever might be the perseverance of other nations in this system, the British Government should begin a more liberal and wise commercial policy without regard to reciprocity of benefit between us and any particular nation. These were noble sentiments, reflecting the highest honour on a city which, though not so conspicuous for trade as London or Liverpool, has nevertheless been always distinguished by its learning and sagacity.

The presentation of these petitions to both Houses of Parliament was attended with the happiest effect. A committee⁵ of the House of Commons was appointed to enquire into the means of improving and extending the foreign trade of the country; and a Royal Commission was appointed to examine and report on the routine of business of the customs; on the warehousing system, on the management of customs in Scotland, and the outports; on the import and export department of the excise; and on seizures in the excise department. The session being far advanced, the committee had not sufficient time to exhaust the enquiry; but they conferred a great service by exposing the numerous restrictions which fettered the trade of the country, and their report laid bare important facts for further consideration. The restrictions then in force had been imposed for the improvement of British navigation and the support of the British naval powers; for the purpose of drawing from commerce, in common with other resources, a proportion of the public revenue, and also to afford protection to various branches of domestic industry with a view to securing for them the internal supply of the country and a monopoly of the export trade to the several colonies. Upwards of a thousand laws were, moreover, in force, hindering trade in every direction, and upon a review of all these circumstances the committee had no difficulty in arriving at the conclusion that by far the most valuable boon that could be conferred on trade was freedom from all these interferences, as unlimited at least as was compatible with what was due to the vested interest, which had grown up under the existing system. This the committee recommended, and they concluded their report with a brilliant passage entirely subversive of the principle of protection and of the grounds on which it had hitherto been defended. 'The time when monopolies could be

⁵ The committee consisted of Mr Frederick Robinson, Lord Castlereagh, Mr. Tierney, Mr Chancellor of the Exchequer, Mr Baring, Mr Lamb, Mr. Thomas Wilson, Mr Irving, Mr Canning, Mr Finlay, Mr. Wilmot, Mr Gladstone, Lord Althorp, Mr Wallace, Lord Milton, Sir John Newport, Sir N W Ridley, Mr Keith Douglas, Mr Huskisson, Mr Sturges Bourne, Mr Astell, and Mr Alexander Robertson.

successfully supported, or would be patiently endured, either as respects subjects against subjects, or particular countries against the rest of the world, seems to have passed away. Commerce, to continue undisturbed and secure, must be, as it was intended to be, a source of reciprocal amity between nations, and an interchange of productions to promote the industry, the wealth, and the happiness of mankind. If it be true that different degrees of advantage will be reaped from it according to the natural and political circumstances, the skill and the industry of different countries, it is true also that whatever be the advantages so acquired, though they may excite emulation and enterprise, they can rouse none of those sentiments of animosity or that spirit of angry retaliation naturally excited by them when attributed to prohibitions and restrictions jealously enacted and severely maintained. They feel that a principle of gradual and prospective approximation to a sounder system as the standard of all future commercial regulations may be wisely and beneficially recommended, no less with a view to the interests of this country than to the situation of surrounding nations. Upon them the policy of Great Britain has rarely been without its influence. The principles recognised and acted upon by her may powerfully operate in aiding the general progress towards the establishment of a liberal and enlightened system of national intercourse throughout the world, as they have too long done in supporting one of a contrary character by furnishing the example and justification of various measures of commercial exclusion and restriction. To measures of this nature her pre-eminence and prosperity have been unjustly ascribed. It is not to prohibitions and protection we are indebted for our commercial greatness and maritime power; these, like every public blessing we enjoy, are the effect of the free principles of the happy constitution under which we live, which, by protecting individual liberty and the security of property, by holding out the most splendid rewards to successful industry and merit, has in every path of human exertion excited the efforts, encouraged the genius, and called into action all the powers of an aspiring, enlightened, and enterprising people.'

Mr. Wallace, the chairman of the committee, on June 18, 1820, brought up the report of the committee. He spoke of the evil effects of the navigation law, of the restricted nature of the warehousing system, and of the multiplicity of acts trammelling the action of the merchant, and concluded his remarkable address with these words:—'It had been a reproach to us among foreign nations that our mercantile system was so full of restrictions against them that they were compelled in self-defence to impose similar restrictions against us. I trust, however, that it will be so no more; and if we should still be compelled to continue any of our present restrictions, either from the pressure of taxation, our

compacts with foreign nations or with our own countrymen, or from any other cause whatsoever, it will be understood that we do so from a principle of justice, that it is a sacrifice to our sense of duty, that it is a matter not of option but of necessity, and not caused by any ideas on our part of promoting our own commercial interests by it; and whatever may be the exclusion or restrictions which foreign states may think it expedient to keep up upon trade, they will no longer have the opportunity of justifying themselves by saying, "Such is the example and such the conduct of England."

The Royal Commissioners on the customs and excise likewise made some excellent reports. On the subject of warehousing they said that the practice of warehousing certain goods commenced in 1714, tobacco, rum, rice, and foreign sugars being permitted to be warehoused, for a limited time, without the payment of excise or customs duty. The regulations were intended to relieve merchants from the inconvenience of paying the duties on goods which were ultimately to be sent to a foreign country. The plan of rendering Great Britain a place of deposit for merchandise in general was not then in contemplation. Up to 1820 the system adopted was partial as to the ports where goods might be landed and warehoused, and as to the particular articles which might be landed and warehoused in any such privileged ports. From that time, however, a general law was passed, allowing goods imported to be deposited in public warehouses at a reasonable rent, without payment of the duties on importation if they are re-exported, or if they are ultimately withdrawn for home consumption without payment of such duties until they are so removed or a purchaser found for them.

CHAPTER II.

MR. HUSKISSON'S COMMERCIAL REFORMS.

Mr Huskisson's Policy.—The Navigation Laws —Trade with Asia, Africa, and America.—European Trade —Plantation Trade.—Mr Huskisson's Colonial Policy —Retaliatory Measures.—Reciprocity Treaties —Depression of the Silk Manufacture.—Reduction of Duties on Woollen, Iron, and other Manufactures —Raw Materials —Timber Duties —Differential Duties.—Mr Poulett Thomson's Declarations of Free Trade —Trade with the East Indies.—Appendix : Taxes Reduced or Repealed, 1823–25.

MUCH required to be done in order to develope the resources of the country after the severe straining to which they had been subjected, and earnestly did the Government and the nation give themselves to the work before them. Fortunately for the inauguration of the new policy, the president of the Board of Trade under Lord Liverpool's administration was Mr. Huskisson, a man well trained for the onerous duties of his position by his earnest studies in political economy, by his former residence in France during the first years of the turmoil of the Revolution, and by his services in other departments of the state. And now the agreeable task is before us of examining the steps he took for gradually liberating trade from the many trammels by which it was clogged.

First and foremost demanding consideration stood the navigation laws, which, although political in their scope and origin, interfered more or less with the whole trade of the country. Even after the political motive had ceased to exist, a narrow commercial jealousy for the Dutch had supported the navigation laws. Our merchants and shipowners, then representing one and the same interest, could not bear to see Dutch ships carrying both British and American produce into the very ports of England. They conceived it a grievance that Dutch ships should be freighted at lower rates than English ships, and they did not admit that the consumer had any right to get the produce of the world brought home as cheap as possible. Therefore, as a check to the growing prosperity of the Dutch, and for the encouragement of British shipping, the Legislature enacted that no goods or commodities whatever, produced or manufactured in Asia, Africa, or America, including the British colonies, should be imported into this country or into the colonies except in British ships. But Dutch ships regularly visited France, Germany, and other countries in Europe, to find freights for Eng-

land; and from this trade also they must be excluded by providing that no goods or manufactures of Europe should be imported into Great Britain or her colonies except in British ships, or in ships of the countries to which such produce belonged. The Dutch often did the people of this country the good service of bringing in fish of their own catch, but to take such fish was to encourage Dutch fisheries. Therefore, no fish should henceforth be imported except those caught by our own fishers. Of course the people—the consumers—suffered by these restrictions, and complained; and a war with the Dutch was the immediate consequence; but that was not worthy of a thought if at any cost British shipping and navigation increased. And thus, for more than one hundred and fifty years, the navigation laws remained in the statute book.

The moment, however, the committee of the House of Commons began to enquire into the causes of the depression of commerce, the working of the navigation laws became most apparent, and some amendment, if not their total repeal, was felt to be absolutely necessary. The navigation laws provided that all goods imported from Asia, Africa, and America¹ should be in British ships, and that the produce of those countries should not be imported in an unmanufactured state from any parts of Europe. But it had long been found perfectly impossible to maintain these provisions. The first part of this restriction was given up in 1796, when the ships of the United States were permitted to bring the produce of their own country direct to Great Britain.² In 1808 the same privilege had to be granted to the inhabitants of the Portuguese possessions in South America or elsewhere.³ And again, in 1822, Mr. Huskisson extended the exception in favour of countries in America or the West Indies being or having been under the dominion of Spain.⁴ The second part, providing that the produce of Asia, Africa, and America should be imported only from the place of its production,

¹ No goods or commodities whatsoever of the growth, production, or manufacture of Africa, Asia, or America, or of any part thereof, or which are described or laid down in the usual maps or cards of those places, (shall) be imported into England, Ireland, Wales, the islands of Guernsey and Jersey, or town of Berwick-upon-Tweed, in any other ship or ships, vessel or vessels whatsoever, but in such as do truly and without fraud belong only to the people of England or Ireland, dominion of Wales, or town of Berwick-upon-Tweed, or of the lands, islands, plantations, or territories in Asia, Africa, or America to His Majesty belonging, as the proprietors and right owners thereof, and whereof the master and three-fourths at least of the mariners are English (12 Car II c. 18, s. 3)

No goods or commodities that are of foreign growth, production, or manufacture, and which are to be brought into England, Ireland, Wales, the islands of Guernsey and Jersey, or town of Berwick-upon-Tweed, in English-built shipping, or other shipping belonging to some of the aforesaid places, and navigated by English mariners as aforesaid, shall be shipped or brought from any other place or places, country or countries, but only from those of the said growth, production, or manufacture, or from those ports where the said goods and commodities can only, or are, or usually have been, first shipped for transportation, and from none other places or countries (12 Car II. c. 18, s. 4).

² 37 Geo. III c. 97.

³ 51 Geo. III. c. 47

⁴ 3 Geo. IV. c. 43, § 3.

had to be abandoned first in the case of thrown silk, and afterwards in many other cases. Thus drugs, the produce of America, were allowed to be imported from any British possessions. Cochineal and indigo were permitted to come in British ships from any place.⁵ The Russia Company were allowed to import, in British shipping from any Russian port, any Persian product.⁶ The Turkish Company were allowed to import any goods from any place either in British ships or in ships of countries in amity with us.⁷ Mr. Wallace did not propose any change on this point; only he narrowed the restriction as to the places whence the produce of Asia, Africa, and America could be brought to a prohibition against importing it from Europe.⁸

As respects the European trade, the navigation law provided that Russian or Turkish produce should be imported only in British ships, or in ships of their respective countries.⁹ To prevent, however, the Dutch from collecting goods in their ports, and thus competing with British ships in the longer part of the voyage, it was enacted afterwards that no sorts of wines other than Rhenish, no sort of spices, grocery, tobacco, potashes, pitch, tar, salt, resin, timber, or olive oil should be imported from the Netherlands or Germany in any ship whatsoever.¹⁰ The law had been relaxed in various instances, had acted most injuriously, and given rise to many disputes. Therefore, in 1822, it became necessary to allow the importation of the enumerated goods either in ships of the country of which the goods were the produce, or in ships of the country from which the goods were imported. And at the same time the prohibitions against the importation of articles from the Netherlands, Germany, Turkey, and Russia were taken off, whilst tallow and tobacco were added to the list of enumerated articles.¹¹

A still greater reform, however, was required in the provisions

⁵ 13 Geo. I. c. 15, 7 Geo. II. c. 18.

⁶ 14 Geo. II. c. 36.

⁷ 20 Geo. III. c. 45.

⁸ 3 Geo. IV. c. 43.

⁹ No goods or commodities of the growth, production, or manufacture of Muscovy, or of any of the countries, dominions, or territories to the Great Duke or Emperor of Muscovy or Russia belonging: also no sort of masts, timber, or boards, no foreign salt, pitch, tar, rosin, hemp or flax, raisins, figs, prunes, olive oils, no sorts of corn or grain, sugar or potashes, wines, vinegar or spirits, called aqua vitæ or brandy-wine, shall be imported into England, Ireland, Wales, or town of Berwick-upon-Tweed, in any ship or ships, vessel or vessels whatsoever, but in such as do truly and without fraud belong to the people thereof, or some of them, as the true owners and proprietors thereof, and whereof the master and three-fourths of the mariners at least are English, and no currants nor commodities of the growth, production, or manufacture of any of the countries, islands, dominions, or territories to the Ottoman or Turkish Empire belonging, shall be imported into any of the aforementioned places in any ship or vessel but which is of English build, and navigated as aforesaid, and in no other, except only such foreign ships and vessels as are of the build of that country or place of which the said goods are the growth, production, or manufactures respectively, or of such port where the said goods can only be, or most usually are, first shipped for transportation, and whereof the master and three-fourths of the mariners at least are of the said country or place (12 Car. II. c. 18, s. 8).

¹⁰ 13 & 14 Car. II. c. 11, § 23.

¹¹ 3 Geo. IV. c. 43, § 6.

of the navigation laws affecting the plantation trade. What the spirit and object of the colonial system were may well be gathered from the preamble to a section of an Act for the encouragement of trade passed shortly after the Navigation Act, which ran as follows: ¹² 'Whereas his Majesty's Plantations beyond the seas are inhabited and peopled by his subjects of this his kingdom of England; for the maintaining a greater correspondence and kindness between them, and keeping them in a firmer dependence upon it, and rendering them yet more beneficial and advantageous unto it, in the further employment and increase of English shipping and seamen, vent of English woollen and other manufactures and commodities, rendering the navigation to and from the same more safe and cheap, and making this kingdom a staple not only of the commodities of these plantations but also of the commodities of other countries and places, for the supplying of them, and it being the usage of other nations to keep their plantation trade to themselves.' There was no mistaking these words. In the eye of the British Legislature, the trade and navigation of the colonies were to be subjected to and made to subserve the interest of the mother country, she in return granting to colonial productions an exclusive or marked preference in her home markets, a facility of meeting in foreign markets a vent for the surplus of their produce beyond her own ample supply, and her needful support and protection against enemies foreign and domestic. Such was the policy of England towards her colonies, and accordingly the act of 1660 established three rules applicable to the plantation trade of singular stringency. They provided, first, that the whole trade of the plantations should be carried on in British ships; secondly, that the principal productions of the plantations should be allowed to be exported only to the mother country, or some other plantation; and, thirdly, by an act of a few years later, that no goods of the produce of Europe should be imported into any of the plantations in Asia, Africa, or America, except such as were *bonâ fide* laden and shipped in England and in English shipping.¹³ But some modifications had already been

¹² 15 Car II c 7, s 5

¹³ No goods or commodities whatsoever shall be imported into, or exported out of, any lands, islands, plantations, or territories to his Majesty belonging, or in his possession, or which may hereafter belong unto or be in the possession of his Majesty, his heirs and successors, in Asia, Africa, or America, in any other ship or ships, vessel or vessels whatsoever, but in such ships or vessels as do truly and without fraud belong only to the people of England or Ireland, dominion of Wales, or town of Berwick-upon-Tweed, or are of the build of or belonging to any of the said lands, islands, plantations, or territories as the proprietors and right owners thereof, and whereof the master and three-fourths of the manners at least are English (12 Car II c 18, s 1)

No sugars, tobacco, cotton-wool, indigo, ginger, fustic, or other dyeing wood, of the growth, production, or manufacture of any English plantations in America, Asia, or Africa, shall be shipped, carried, conveyed, or transported from any of the said English plantations to any land, island, territory, dominion, port, or

introduced into these rules. As regards the exclusion of foreign ships from the plantation trade, permission was granted in 1766 to some West India colonies, to import American produce in American ships, and to re-export such articles to Great Britain.¹⁴ Later on, Ireland was placed on the same footing as Great Britain in regard to both the import and export trade of the British plantations in America and Africa.¹⁵ And, in 1822, permission was granted to the colonies to export their own produce, and any articles legally imported thereinto, to any place in Europe, Africa, or America, either in British ships, or in ships of the country to which the goods should be exported.¹⁶ The rule that goods the produce of Europe should be imported into the colonies only from the United Kingdom was, from the first, subject to some exceptions, such as that salt might be taken to the fisheries from any part of Europe; that wines of Madeira and the Azores might be imported thence. Many articles of European produce were, moreover, allowed to be shipped from Gibraltar and Malta to the North American colonies; and fruit, wine, salt, &c., the produce of Europe, were also allowed to be shipped from ports in Europe to certain ports in British North America. In 1822, however, permission was granted to import a number of articles from foreign ports in Europe or Africa into the British possessions in America, but only in British ships.¹⁷ And, three years later, Mr. Huskisson permitted the importation into the British plantations of all classes of goods from any country, except places within the limits of the East India Company's charter, either in British vessels or in vessels of the producing country.

In bringing forward his great measure, Mr. Huskisson said: 'I am prepared to open the commerce of our colonies to all friendly states upon the same principles (though of course with some difference in the detail of its modifications) upon which they are at liberty to trade with Jersey or with Ireland. With the exception of some articles, which it will be necessary to prohibit, such as firearms and munitions of war generally, and sugar, rum, &c., in the sugar colonies, I propose to admit a free intercourse between all our colonies and other countries, either in British ships or in ships of those countries, allowing the latter to import all articles the growth, produce, or manufacture of the country to which the ship belongs, and to export from such colonies all articles whatever of their growth, produce, or manufacture, to the country from which such ship came, or to any other part of the world, the United Kingdom and all its dependencies excepted. All intercourse

place whatsoever, other than to such other English plantations as do belong to his Majesty, his heirs and successors, or to the kingdom of England or Ireland, or principality of Wales, or town of Berwick-upon-Tweed, there to be laid on shore

¹⁴ 6 Geo. III c 49

¹⁵ 20 Geo III c 10.

¹⁶ 3 Geo. IV c 44, s 4 and c. 45, s 2.

¹⁷ 3 Geo IV 45.

between the mother country and the colonies will be considered a coasting trade, to be reserved entirely and absolutely to ourselves. By this arrangement the foundation of our navigation laws will be preserved, whilst the colonies will enjoy a free trade with foreign countries, without breaking in upon the great principle of those laws in respect to foreign trade, that the cargo must be the produce of the country to which the ship belongs, leaving the national character of the ship to be determined by the rules which apply in like cases in this country. The importation of foreign goods into the colonies, I propose should be made subject to moderate duties, but such as may be found sufficient for the fair protection of our own productions of a like nature.'

Important, however, as these relaxations were with regard to the colonies, it was quite evident that we should not be allowed to continue the restrictions of the navigation laws against foreign countries without provoking severe retaliation against ourselves. By the treaty of commerce of 1815 with the United States, the principle of reciprocity as regards shipping dues was recognised between the two countries. And it now appeared that Germany, France, Holland, Russia, and other countries were not content with remaining excluded from British ports, and shut out from all commerce with Britain. On June 20, 1822, the Prussian Government issued an order, making large additions to the port dues on all ships belonging to such nations as did not admit Prussian ships on a principle of reciprocity. The British Government remonstrated against this, but the Prussian minister naturally answered, 'You have set us the example by your port and light charges, and your discriminating duties on Prussian ships, and we have not gone beyond the limits of that example. Hitherto we have confined the measure of our port and tonnage charges to ships only; but it is the intention of my Government next year to imitate you still more closely, by imposing discriminating duties on the goods imported in your ships. Our object is a just protection to our own navigation, and so long as the measure of our protection does not exceed that which is afforded in your ports to Prussian ships, we cannot see with what reason you can complain.'

Mr. Huskisson saw the justice of this answer, and he had no other alternative than to open negotiations for a reciprocity treaty with Prussia. But seeing that sooner or later the same course would have to be followed with other countries also, Mr. Huskisson brought in a measure, which passed into law, authorising her Majesty, by order in Council, to place the shipping of any foreign state in the ports of the United Kingdom, on a footing of equality with our shipping, provided such states would afford reciprocal privileges in their ports to the shipping of the United Kingdom.¹⁸ And it was in defence of this policy that he delivered his famous

¹⁸ 4 Geo IV. c 77, and 5 Geo IV. c 1

speech on the general policy of the navigation laws, a marvel of directness and clearness. Referring to the retaliatory measures of other countries, Mr. Huskisson, on June 6, 1823, said, 'In such a state of things it is quite obvious that we must adopt one of two courses. Either we must commence a commercial conflict through the medium of protective duties and prohibitions (a measure of impolicy which I believe no man will now propose), or we must admit other powers to a perfect equality and reciprocity of shipping duties. The latter appears to be the course which we are bound to adopt. Its effect, I am persuaded, will lead to a great increase of the commercial advantages of the country, while, at the same time, it will have a tendency to promote and establish a better political feeling and confidence among the maritime powers, and abate the sources of commercial jealousy. It is high time, in the improved state of the civilisation of the world, to establish more liberal principles, and show that commerce is not the end, but the means of diffusing comfort and enjoyment among the nations embarked in its pursuit. Those who have the largest trade must necessarily derive the greatest advantage from the establishment of better international regulations. Let England abandon her old principle, and the United Netherlands, and the other powers who are now prepared to retaliate, will gladly concur in the new arrangement. I am prepared to hear from the other side that the proposed alteration will be prejudicial to the British shipping interest. In such an observation I cannot concur; for I think, on the contrary, that the shipping interest of this country has nothing to apprehend from that of other nations. When the alteration in the navigation laws was first projected, similar unfavourable anticipations were made by part of the shipping interest; but these anticipations have proved in the result entirely unfounded. The shipping of great Britain is perfectly able to compete with that of other countries. It is quite time to get rid of this retaliatory principle, which, if carried to the extreme of which it is susceptible, must injure every species of trade. One sort of shipping would be carrying the trade of one country and then returning without an equivalent advantage, to make way for the countervailing regulations of another power, or else to return in ballast. What would the country think of the establishment of a waggon that should convey goods to Birmingham and afterwards return empty? The consumer would be little satisfied with such a way of regulating the conveyance of his merchandise. The consequence would be that there must necessarily be two sets of waggons to do that work which is now performed by one, and that, too, at a considerable increase of price on the raw material. We are not now able to carry on a system of restriction, labouring, as we have for some time been, under many and unavoidable restrictions. Our trade and commerce, it is true, are rapidly improving, but they

still require that we should adopt every measure by which either could be fostered and improved. What I propose is, that the duties and drawbacks should be imposed and allowed upon all goods equally, whether imported or exported in British or foreign vessels; giving the King in Council a power to declare that such regulations should extend to all countries inclined to act upon a system of reciprocity, but reserving to the same authority the power of continuing the present restrictions with respect to those powers who should decline to do so.' The concessions thus proposed met with feeble opposition in Parliament; and, under the authority of acts passed for the purpose, reciprocity treaties were thereafter concluded with a number of countries.¹⁹

But it was not only upon the subject of the navigation that the British commercial policy had been hitherto open to objection. Whence was it that the silk manufacture was always in a sickly and decaying state, but from excess of protection and prohibitions? Sixty years had elapsed since, in deference to the noise and loud complaints of the silk weavers of Spitalfields, Coventry, and other places, the Legislature had decreed the total expulsion of foreign silks from the British market; yet smuggling was largely practised, and no effort was of any avail in stopping it. In spite of every attempt to prevent it, French silks came into general use. The Spitalfields weavers had, hitherto, their own way as regards wages. On their representation, an act was passed in 1773²⁰ giving to the magistrates of London and the justices of Middlesex power to settle the wages of journeymen silk weavers. And in 1792²¹ the powers of the magistrates in this matter were extended to the manufactures of silk mixed with other materials. Yet the wages fell lower than before, and general complaints were prevalent of the distressed condition of the workmen employed in the trade. Whilst masters and men were restricted from giving or receiving more or less than was laid down in the list of prices, and the manufacturers were prohibited from employing weavers out of the district, the trade was passing away from them, and under the influence of protection and prohibition every germ of improvement was completely extinguished. For years had representations been sent to the Board of Trade to apply some remedy. In 1817 the throwsters represented that if the silk thrown in this country could

¹⁹ Austria, Dec 21, 1829, America, U S, Aug 6, 1827, Brazil, Aug 17, 1827, Buenos Ayres, Feb. 2, 1825, Columbia, April 18, 1825, Denmark, June 16, 1824, France, Jan 26, 1826, Frankfort, May 13, 1832, Hanover, May 25, 1824, Hanse Towns, Aug 14, 1824, Bremen and Lubeck, June 30, Hamburg, Mecklenburg, June 14, 1825, order in Council, Muscat, Imaum of, May 31, 1839, Netherlands, Oct 27, 1837, Ottoman Empire, Aug 26, 1838, Oldenburg, Oct 19, 1834, order in Council, April 30, 1844, treaty, Uruguay, Aug 26, 1842, Peru, June 5, 1837, Prussia, April 2, 1824, or German custom house, Portugal, July 3, 1842, Russia, Jan 11, 1843, Rio de la Plata, Feb. 2, 1825, Mexico, Dec 26, 1826, Sardinia, Sept 6, 1841; Sweden, May 25, 1824, Venezuela, Dec 9, 1829.

²⁰ 13 Geo. III c 68.

²¹ 32 Geo. III. c 44

be discharged from all duty imposed on the raw silk, they might export their silk for the use of other countries. The East India Company also petitioned, stating that they believed they could export thrown silk like cotton yarn. In 1819 the silk manufacturers petitioned that the demand for manufactured goods had for some time so decreased as to afford serious ground of alarm to the manufacturers, and to threaten the existence of the silk manufacture in this country. The Nottingham manufacturers said that their dependence was on an export trade, and that the trade was stopped for want of an equivalent drawback of the duty on the thrown silk; and the Dublin manufacturers made the complaint that the insufficiency of drawback of the duty on the raw material, was the cause why the British manufacturer could not compete with the French in the foreign market. Yet, with all these evidences of the utter failure of the system hitherto pursued, and of the absolute need of greater freedom, Mr. Huskisson met with no encouragement whatever when he introduced the subject in the House of Commons, on the evening of March 8, 1824, a determined opposition being made by all interested in the trade. But he was not deterred from his purpose. He denied, as a general proposition, that those immediately connected with any industry are necessarily the best judges of the peculiar interests which are connected with their calling. He allowed that a system of monopoly might be favourable to great capitalists. But he showed the evil effects of monopoly, and urged that the monopoly in the silk manufacture had produced, what monopoly was always sure to produce, indifference with regard to improvement; and that useful zeal which gives life to industry, and fosters ingenuity, and which, in manufactures, occasions unceasing efforts to produce the article in the most economical form, had been comparatively extinguished. In his opinion it was owing to the prohibitive system that in silk only, in the whole range of manufactures, we were left behind our neighbours, and its condition afforded the best proof of that chilling and benumbing effect which is sure to be produced when no genius is called into action, and when we are rendered indifferent to exertions by the indolent security derived from restrictive regulations. Mr. Huskisson's measures consisted in a considerable reduction of duty on foreign thrown silk, and in the removal of the prohibition of foreign silk manufactures, substituting for it a duty of 30 per cent.²² In obedience, however, to urgent petitions of the manufacturers, a law was passed prohibiting the importation of any silks, except such as were of entirely different lengths from those commonly manufactured by the French. Mr. Huskisson's measure, as a whole, certainly fell short of what was required, and of what was passed not long after, yet it was an earnest and an excellent commencement of great and substantial commercial reforms.

²² 5 Geo. IV. c. 2

None, indeed, could be more strongly convinced than he was that, as a general rule, prohibitions are a premium to mediocrity, that they destroy the strongest incentives to excellence, that they check invention and improvement, condemn the community to suffer, both in price and quality, all the evils of monopoly; except in as far as a remedy can be found in the baneful act of the smuggler, with the additional evil, that of exposing the consumer as well as the dealer to rapid and inconvenient fluctuations of prices. And thus we find that, not content with what he had done with the silk manufacture, Mr. Huskisson went on to propose greater and more substantial reforms in other branches of trade.

The woollen manufacture had been nursed and dandled by the Legislature; a favourite child it was, which, like other favourites, had suffered rather than profited by being spoilt and petted in rearing, whilst the younger industry, that of cotton, coming into the world much later, had thriven better by being much more left to rough it and make its own way in life. The duties on foreign woollens were 50*l.* to 67*l.* 10*s.* per cent. These Mr. Huskisson proposed to reduce to 15*l.* per cent.²³ The cotton manufacture was protected by a duty on certain descriptions of goods of 75*l.* per cent., on others of 67*l.* 10*s.* per cent., and on a third class of 50*l.* per cent. These duties he wished to reduce to 10*l.* per cent. on all foreign articles manufactured wholly of cotton, whether from the East Indies or elsewhere. The duties on linen manufacture ranged from 40*l.* to 180*l.*, and Mr. Huskisson proposed to reduce them to 25*l.* per cent. Upon foreign earthenware there was a duty of 75*l.* per cent., and he proposed to reduce it to 15*l.* per cent.; and upon iron manufacture the duty was 6*l.* 10*s.* per ton, and he reduced it to 1*l.* 10*s.*²⁴ The iron masters were, of course, strongly opposed to this change, and, like the silk manufacturers, made a strong protest against it; but Mr. Huskisson

²³ 5 Geo IV c 47.

²⁴ The liberal character of Mr Huskisson's tariff will best be seen by the following comparison with Mr. Pitt's tariff of 1787, and the rates of duties in force in 1819 —

Manufactures	Mr Pitt's Tariff, 1787	Rates of Duties, 1819	Mr Huskisson's Tariff, 1825
	£ s d	£ s d	£ s d
Cotton manufactures, per cent	44 0 0	50 0 0	10 0 0
Woollen " "	prohibited	50 0 0	15 0 0
Linen " "	44 0 0	50 0 0	25 0 0
Silk " "	prohibited	prohibited	25 to 30 per cent
Leather " "	prohibited	75 0 0	30 0 0
Earthenware, "	45 0 0	75 0 0	15 0 0
Iron, manufactured bar, per } } ton	2 16 2	6 10 0	1 10 0
Olive oil, per tun	8 8 10 $\frac{3}{4}$	18 15 7	4 4 0
Sugar	2 5 6	4 6 8	3 3 0

did not think it fitting that with an article like iron, in universal use in all our manufactures, in all the arts and conveniences of life, in agriculture, in houses, in ships, we should suffer from scarcity. He wondered indeed that, in order to favour the British iron masters, we should have submitted to have every article in which it is used greatly increased in price as well as deteriorated perhaps in quality.

But if Mr. Huskisson seemed cruel towards the manufacturers, in robbing them of the protection which they so much loved and trusted in, he did something for their benefit. The manufacturer can do nothing without the raw material, and the cost of it is an important element in the value of his merchandise. Now, it is quite clear that whatever may be the difference between one country and another with respect to soil, climate, capital, wages, and machinery, the circumstance which leads to the exportation of manufactures and makes it profitable is the advantage in the smallness of the cost of producing them. And therefore every tax on materials which increases their price adds also to the cost of production, and thus lessens the means of carrying on competition with foreigners. Mr. Huskisson saw this, and he endeavoured to improve the condition of our manufacturers by reducing the taxes on raw materials. He commenced with metals. On copper there was a duty of 54*l.* per ton. The high duty prevented copper, not only in an unmanufactured, but even in an imperfectly smelted, state, from coming into this country. This metal existed in many parts of Europe and South America, and it would have been sent here in payment of British manufactures, and here it would have undergone the process of purifying, of rolling, and of being otherwise prepared for consumption, by our superior machinery. But the duty prevented this, and Mr. Huskisson proposed to reduce it by half, viz. to 27*l.* per ton. The same he proposed for zinc, the duty on which he reduced from 28*l.* to 14*l.*; and for tin, reducing the duty from 5*l.* 9*s.* 3*d.* to 2*l.* 10*s.* per cwt. As for lead, he was content to reduce the duty from 20*l.* per cwt. to 15*l.* per cwt. On other articles necessary for manufactures reductions were also made. On olive oil the duty was 15*l.* 15*s.* per tun. Mr. Huskisson reduced it to 7*l.* a tun. The duty on wool was 1*d.* per lb.; he reduced it to $\frac{1}{2}$ *d.* And similarly with many other things. On other enumerated and non-enumerated articles he made a general reduction of from 50*l.* per cent. to 20*l.* per cent. on all manufactured articles, and from 20*l.* to 10*l.* per cent. on all unmanufactured articles. As an illustration of the operation of the tariff on non-enumerated articles, Mr. Huskisson stated that a gentleman having imported a mummy from Egypt, the officers of the customs were not a little puzzled at what rate it should be taxed. These remains of mortality, muscles and sinews, pickled and preserved ten thousand years ago, could not be deemed a raw

material, and therefore, upon deliberation, it was determined to tax them as a manufactured article. The importer, anxious that his mummy should not be seized, stated its value at 400*l.* per cwt., and thus he had to pay 200*l.* duty upon it. Such was the comprehensive and beneficial scheme of reform proposed by Mr. Huskisson; and though, in consequence of earnest prayers and remonstrances from interested parties, he was compelled to alter his plans in some measure, the reforms proved of substantial benefit to the community at large.

By the time Mr. Huskisson introduced these decided changes in the fiscal system, the committees of the Houses of Lords and Commons appointed to consider the means of improving and maintaining the foreign trade of the country had presented several important reports. Their first report dealt, as we have seen, with the navigation laws, and its recommendations were speedily put in practice. But the other reports dealt with questions not yet ripe for legislation. For instance, the timber duties required reform. They had been imposed during the war, for the avowed object of favouring the growth of timber in the North American colonies in case we should be deprived of foreign timber; but the American colonists were never led to believe that such duties would be permanent. The primary object being no longer needed, the questions at issue in the reform of the timber duties were the comparative qualities of wood imported from the different ports of the North of Europe and from the North American colonies; the comparative facility and cheapness of the supply of these different species of wood; the direction which the system of duties in force since 1809 and 1813 had given to the commerce and tonnage of the country; and the probable effect of any diminution or alteration of these duties on the consumption of the country, on the trade with Europe and the colonies, and on the several interests concerned. The general impression was that the quality of wood used in this country was very inferior, and that such inferior quality was forced into consumption by the high duty on foreign wood; that the difference in the duties was too high; that such difference had a tendency to increase the price of Baltic timber; and that in effect the differential duty was a bounty paid by the consumer of the United Kingdom to the North American colonies. At the same time, fear was entertained of the danger incident to the want of competition, from the exclusion of colonial timber; and it was still urged that it was not safe to rely altogether on a foreign source, which might fail in a moment of necessity. At most, therefore, the committee recommended only a diminution of the differential duty; but the question was then not ripe for legislation, and seemed to demand further patient consideration.

For many years after the first inroad was made on the policy of protection, the cry of distress continued to be raised with

unabated force by the manufacturers. Whatever vicissitude of trade, whatever disturbing element influenced the ebb and flow of commercial prosperity, all was put down as the evil result, of Mr. Huskisson's policy. The silk manufacturers were particularly restive under their altered condition. Distress continued to exist among the weavers, and they threw blame on the recent legislation. Mr. Huskisson, however, instead of being deterred by such remonstrances, in a year or two made further reduction in the duty of thrown silk, and reduced the duty on manufactured silk from 30 per cent. to 25. Advocates were not wanting for still treating the silk industry as an exotic, requiring to be tended with exceptional care. But Mr. Poulett Thomson well answered such appeals by saying, 'I am no rash theorist; I am not desirous of carrying a favourite principle into operation at the expense of existing interests. But I assert that your only course is a gradual, progressive, but a steady approach to a free system. I maintain, without fear of contradiction, that the very essence of manufacturing and commercial industry is freedom from legislative interference and legislative protection. Attempt to resist its course by protective enactments, you arrest its progress, you destroy its vigour. Unbind the shackles in which your unwise tenderness has confined it; permit it to take unrestrained its own course; expose it to the wholesome breezes of competition: you give it new life, you restore its former vigour. Industry has been well likened to the hardy Alpine plant; self-sown on the mountain side, exposed to the inclemency of the season, it gathers strength in its struggle for existence, it shoots forth in vigour and in beauty. Transplant it to the rich soil of the parterre, tended by the fostering hand of the gardener, nursed in the artificial atmosphere of the forcing glass: it grows sickly and enervated; its shoots are vigourless, its flowers inodorous. In one single word lies the soul of industry—competition. The answer of the statesman and the economist to his sovereign, enquiring what he should do to assist the industry of his kingdom, was, "Let it take its own course." Such is my prayer. Relieve us from the chains in which your indiscreet tenderness has shackled us. Remove your oppressive protection; give us the fair field we ask, and we demand no more. The talent, the genius, the enterprise, the capital, and the industry of this great people will do the rest. And England will not only retain, but she will take a yet more forward place in the race for competition, for wealth, and improvement, which, by the nature of things, she is destined to run amongst the nations of the world. Place us in that condition is our prayer, not by any violent change, but by slow and easy transition. Here we shall find security for our enterprise and reward for our labour.' Many times the shipping interest also pleaded hard for the restoration of the navigation laws to their pristine stringency; but Mr. Hus-

kisson was not the man to vacillate in his duty, or to give way to complaints. He defended his policy with his accustomed precision and fulness. Every attempt to make the Government hesitate whether to go onward or backward signally failed by his adroit answers. Motions for committees of enquiry were rejected again and again. Bills for removing restrictions met a favourable reception, and laws were passed, not to restrict, but to extend still further the policy of commercial freedom, love for which had already taken root in the very heart of the people.

APPENDIX

TAXES REDUCED OR REPEALED

1823		
Stone brought coastwise, } Great Britain	26l 8s per cent. <i>ad valorem</i> repealed	
United Kingdom		
Coal exported	Duty on coal exported in British ships to any country except the United States of America, reduced from 1l 2s. to 17s per chaldron.	
Barilla	Reduced from 11s 4d to 5s 3d per cwt.	
Borax	Various rates reduced	
Irish goods imported into } Great Britain	Various rates repealed	
British goods imported } into Ireland.		
1824		
Coals brought into the } port of London	Coals by weight reduced from 7s 6d to 4s per ton.	
Raw and thrown silk		
Raw silk of British territory in India, from 4s to 3d. per lb, of other sorts, from 5s. 6d. to 3d per lb		
Thrown silk, not dyed, from 14s 8d to 7s 6d per lb		
Drawback on British manufactured silk exported repealed		
Rum	From 13s 11½d reduced to 12s 7½d per imperial gallon	
Sheep's wool	Foreign sheep's wool, from 6d to 1d per lb.	
British goods imported } into Ireland	Various rates repealed	
1825.		
Wine	Various rates reduced.	
Tobacco, unmanufactured	From 4s to 3s per lb.	
Coffee and cocoa	Coffee of British possessions in America, from 1s. to 6d per lb ; in the East Indies, from 1s. 6d to 9d per lb Cocoa of British possessions in America, from 1s to 6d per lb.	
Hemp	Foreign, from 9s 2d to 4s 8d per cwt	
Iron in bars or unwrought	Foreign, from 6l 10s to 1l 10s per ton	
Silk, thrown	Undyed, from 7s 6d. to 5s per lb.	
Oil of olives	From 1s 6d to 8d per gallon	
Madder and madder root	Madder, from 12s to 6s per cwt Madder root, from 5s to 1s 6d. per cwt.	
Cotton manufacture	Reduced to 10l per cent <i>ad valorem</i> , with a further duty of 3½d per square yard if printed	
Ashes, pearl and pot	Foreign, 11s 2d to 6s per cwt., British possessions, from 1s. 8d per cwt. to nil.	

Indigo . . .	British possessions, from 5 <i>d.</i> to 3 <i>d.</i> per lb.; other, from 5 <i>d.</i> to 4 <i>d.</i>
Flax . . .	From 5 <i>d.</i> to 1 <i>d.</i> per cwt.
Skins, lamb, undressed . . .	From 14 <i>s.</i> to 1 <i>s.</i> 6 <i>d.</i> per 100.
Small nuts . . .	From 4 <i>s.</i> to 2 <i>s.</i> per bushel
Rags . . .	From 1 <i>l.</i> 6 <i>s.</i> to 5 <i>s.</i> per ton
Skins, kid, dressed . . .	From 2 <i>l.</i> to 10 <i>s.</i> per cwt.
Cambrics . . .	Reduced to 6 <i>s.</i> per piece if plain, and 5 <i>s.</i> if bordered handkerchiefs
Quicksilver . . .	From 1 <i>s.</i> 8 <i>d.</i> to 6 <i>d.</i> per lb.
Cochineal . . .	From 2 <i>s.</i> 6 <i>d.</i> to 1 <i>s.</i> per lb.
Sheep's wool . . .	Foreign, from 1 <i>d.</i> to $\frac{1}{4}$ <i>d.</i> per lb ; British possessions, from 1 <i>d.</i> to <i>nil</i>
Elephants' teeth . . .	Reduced to 1 <i>l.</i> per cwt
Valonia . . .	From 2 <i>s.</i> 6 <i>d.</i> to 1 <i>s.</i> 6 <i>d.</i> per cwt.
Oil, train, and spermaceti . . .	Of British fishery, from 9 <i>s.</i> 11 <i>d.</i> to 1 <i>s.</i> ; foreign, from 39 <i>l.</i> 18 <i>s.</i> to 26 <i>l.</i> 12 <i>s.</i> per tun.
Tar . . .	From 1 <i>l.</i> 7 <i>s.</i> to 15 <i>s.</i> per last.
Pimento . . .	From 10 <i>d.</i> to 5 <i>d.</i> per lb.
Feathers, ostrich . . .	Dressed, from 2 <i>l.</i> 15 <i>s.</i> 6 <i>d.</i> to 1 <i>l.</i> 10 <i>s.</i> per lb ; undressed, from 1 <i>s.</i> to 10 <i>s.</i> per lb.
Books . . .	From 6 <i>l.</i> 10 <i>s.</i> , bound, and from 5 <i>l.</i> per cwt., unbound, to 1 <i>l.</i> per cwt. on books of editions prior to 1801, and to 5 <i>l.</i> per cwt. on books of editions printed in or since 1801, bound or unbound.
Cream of tartar . . .	From 15 <i>s.</i> 10 <i>d.</i> to 4 <i>s.</i> 8 <i>d.</i> per cwt
Glass bottles . . .	Common, from 8 <i>s.</i> per doz, quarts, and 8 <i>s.</i> 2 <i>d.</i> to 4 <i>s.</i>
Various articles . . .	Rates reduced.
Duty on salt, Ireland . . .	Repealed.
Duties on British goods imported into Ireland . . .	} Repealed.
Quarantine duty on shipping . . .	
	} Various rates repealed.
	1826.
Rum . . .	From 12 <i>s.</i> 7 $\frac{1}{2}$ <i>d.</i> to 8 <i>s.</i> 6 <i>d.</i> per gallon.
Pepper . . .	From 2 <i>s.</i> 6 <i>d.</i> to 1 <i>s.</i> per lb., if from British possessions.
Rape seed . . .	From 1 <i>l.</i> to 1 <i>s.</i> per quarter.
Mahogany . . .	Reduced rates.
Raw silk . . .	From 3 <i>d.</i> to 1 <i>d.</i> per lb.
Flax seed and linseed . . .	From 3 <i>s.</i> 4 <i>d.</i> to 1 <i>s.</i> per quarter.
Oranges and lemons . . .	Reduced rates.
Smalts . . .	From 9 $\frac{1}{2}$ <i>d.</i> to 6 <i>d.</i> per lb

CHAPTER III.

RELATIONS OF MASTERS AND SERVANTS

Relations of Masters and Servants—Laws against Workmen.—The Combination Laws—Report of Committee on the same—Repeal of Combination Laws—Factory Labour—Factory Laws—The Truck System—Emancipation of Slaves

It is of the utmost importance to the community at large that the relations between masters and men, or between capital and labour, should be established on a satisfactory basis. The nation requires a continuous production of wealth, and anything which checks its progress is a public calamity. How sad when the springs of national prosperity are wilfully dried up, when factories are shut up and work rejected, whilst labourers are parading the streets begging for their daily bread. But such incidents have unfortunately been and are still of frequent occurrence, and the differences between employers and employed, which might be arranged amicably, are too often the cause of much animosity and national loss. Of late years, especially, there has been too great a disposition to strikes and turn-outs. Low wages, long hours of labour, incompatibility of character and temper, besides questions connected with machinery and apprenticeship, have given rise to frequent disputes; but it is not too much to say that ignorance of economic laws is generally at the bottom of them all.

At one time the Legislature erroneously conceived that we could remove all possibility of difference by making it highly penal on the artisan to offer any objection to whatever rate of wages was offered to him.¹ The statutes of labourers retained a good portion

¹ The legislation on master and servant dates back as early as the 23rd Edward III., when every man and woman able in body and within the age of three score, not living on merchandise, not exercising any craft, not having of his own whereof to live, nor land about whose tillage he might employ himself, nor serving any other, should be bound to serve, if required, at the accustomed wages. If he refused he was to be committed to jail till he found surety to enter into the service. If he departed before the term agreed, he was to be imprisoned. None were to pay more than the old wages, upon pain of forfeiting double what they paid, if the workman took more he was to be committed to jail, the overplus wages to go to the King's use in alleviation of the dismes or quinzimes assessed on the town or district. By 25 Edward III. s. 2, carters, ploughmen, and other servants were to serve by the whole year or by other usual terms, and not by the day. By 12 Richard II. no servant or labourer could depart out of the hundred where they dwelt to serve elsewhere, unless he

of the ancient law of servitude, and imposed heavy penalties on workers in the various trades who refused to work at a regular fixed remuneration, often below the market value.² An artisan could not go abroad, and if he did he was liable to be stopped on the road. If any man ventured to depose before a magistrate that he had reason to believe that a certain artisan intended to go abroad, that magistrate might imprison the artisan until he had given good security that he would not quit the country. The combination laws also were very oppressive. In 1824 old statutes were still in force, which interfered in many ways with the liberty of the person as well as with the rights of labour. By a statute, of comparatively recent date, being dated from the year 1800,³ all agreements between journeymen and workmen for obtaining an advance of wages for themselves or other workmen, or for lessening the hours of work, or for preventing or hindering any person from employing whomsoever he should think proper to employ, or for controlling or in any way affecting any person carrying on any manufacture in the conduct or management thereof, were made and declared to be illegal; power being given to one justice of the peace to convict summarily and impose two months' imprisonment upon workmen entering into any such agreement. A remedy for such a state of matters was urgently needed, and Mr. Joseph Hume, to whom the nation is indebted for many liberal and economic measures, on February 12, 1824, moved for a committee to enquire into the state of the law on the subject. In descanting on the general position of the artisan in this country, Mr. Hume laid down the broad principle, that every law ought to be repealed which shackled any man in the free disposition of his labour, provided that free disposition did not interfere with any vital interest, and thereby endanger the political existence of the state; he asserted that the property which every man has in his labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. And he complained of the conditions imposed on workmen, whilst masters were left entirely uncontrolled.

The committee instituted a full enquiry into the whole subject, and in their sixth report they gave the result of their observations, more especially on the working of the existing combination laws. From evidence given before the committee it appeared that combinations of workmen had taken place in England, Scotland, and Ireland, often to a great extent, to raise and keep up their wages, to regulate their hours of working, and to impose restrictions upon

brought a letter patent containing the cause of his going and the time of his return under the King's seal, which was to be in the keeping of some man of the hundred. A servant wandering without such testimonial was to be put into the stocks till he gave surety to return to his place. By 13 Richard II c. 8 the justices were to settle and proclaim between Easter and Michaelmas what should be the wages of day labourers

² 5 Eliz c 4

³ 40 Geo. III c 106.

their masters respecting apprentices or others whom they might think proper to employ. At the very time when the enquiry was proceeding combinations were in existence, attended with strikes or suspension of work, whilst the laws had not hitherto been effectual to prevent such combinations. Serious breaches of the peace with strikes of the workmen, often of long duration, had taken place in consequence of and arising out of the combination of workmen, which had been attended with loss to both masters and workmen, with considerable inconvenience and injury to the community. It was proved that the masters had often combined to lower the rates of their workmen's wages, as well as to resist a demand for an increase, and to regulate their hours of working, and sometimes to discharge those workmen who would not consent to the conditions offered, which steps had been followed by suspension of work, riotous proceedings, and acts of violence; but that although prosecutions had frequently been carried on under the statute and common law against the workmen, and many of them had suffered different periods of imprisonment for combining and conspiring to raise their wages, or to resist their reductions, and to regulate their hours of working, there were but few instances of prosecutions against masters for combining to lower wages, and to regulate the hours of working, and no instance had been adduced of any master having been punished for that offence. It was quite evident that the laws had not only not been efficient to prevent combinations, either of masters or workmen, but that, on the contrary, in the opinion of many of both parties, they had a tendency to produce mutual irritation and distrust, and to give a violent character to combinations, and to render them highly dangerous to the peace of the community. In view of these circumstances the committee were of opinion that masters and workmen should be freed from restrictions regarding the rate of wages and hours of working, and left at perfect liberty to make any agreements they might mutually think proper. And they did not hesitate to recommend that the statute laws that interfered in this particular should be repealed; and that the common law, under which a peaceable meeting of masters or workmen might be prosecuted as a conspiracy, should be altered. The committee also found that societies, legally enrolled as benefit societies, had been frequently made the cloak under which funds had been raised for the support of combinations and strikes attended with acts of violence or intimidation; and, without recommending any specific course, they called the attention of the House to the frequent perversion of these institutions from their avowed and legitimate objects. Finding, moreover, that the practice of settling disputes by arbitration between masters and workmen had been attended with good effect, the committee thought it desirable that the laws which direct and regulate arbitration should be consolidated, amended, and made applicable

to all trades. The committee also recommended the abolition of all laws affecting the liberty of the artisan to go abroad. And they concluded their report with the important recommendation that, in repealing the combination laws, it was necessary to provide for the punishment of either workmen or masters who, by threat, intimidation, or acts of violence, should interfere with the perfect freedom which ought to be allowed to each party, of employing his labour or capital in the manner he may deem most advantageous.

The publication of this report was followed by immediate legislation, and the act of 1825,⁴ amended by that of 1826,⁵ repealed the laws relative to the combination of workmen, but enacted, 'that any person who, by violence to the person or property, or by molesting, or in any way obstructing another, should force, or endeavour to force, any journeyman, manufacturer, workman, or other person hired or employed in any manufacture, trade, or business, to depart from his hiring, employment, or work, or to return his work before it is finished, or should prevent, or endeavour to prevent, any such person from hiring himself to, or from accepting work or employment, should be liable to imprisonment. That any person who should use violence for the purpose of forcing or inducing any person to belong to any club or association, or to contribute to any common fund, or to pay any fine or penalty, or on account of his not belonging to any particular club or association, or on account of his not having contributed, or having refused to contribute, to any common fund, or to pay any fine or penalty, or on account of his not having complied, or of his refusing to comply, with any rules, orders, resolutions, or regulations made to obtain an advance or to reduce the rate of wages, or to lessen or alter the hours of working, or to decrease or alter the quantity of work, or to regulate the mode of carrying on any manufacture, trade, or business, or the management thereof, should be liable to imprisonment. And, lastly, that any person who should, by violence or molestation, force, or endeavour to force, any manufacturer, or person carrying on any trade or business, to make any alteration in his mode of

⁴ The act of 1825 provided 'that journeymen, workmen, or other persons who shall enter into any combination to obtain an advance, or to fix the rate of wages, or to lessen or alter the hours or duration of the time of working, or to decrease the quantity of work, or to induce others to depart from their service before the end of the term for which he is hired, or to quit or return his work before the same shall be finished, or, not being hired, to refuse to enter into work or employment, or to regulate the mode of carrying on any manufacture, trade, or business, or the management thereof, shall not therefore be subject or liable to any indictment or prosecution for conspiracy, or to any other criminal information or punishment whatever under the common or statute law.' Very soon after the passing of this act, however, grave apprehension was felt at its operation, and a committee of the House of Commons was appointed the very next session to enquire into the effect of the same, and on their recommendation that act was repealed and the new act passed.

⁵ 5 Geo. IV. c. 95 and 6 Geo. IV. c. 129.

regulating, managing, conducting, or carrying on such manufacture, trade, or business, or to limit the number of his apprentices, or the number or description of his journeymen, workmen, or servants, should be liable to imprisonment with or without hard labour. But that no persons should be punished who should meet together for the sole purpose of consulting upon and determining the rate of wages which they will require or demand, or the hours for which they will work ; and that no persons should be punished who should enter into any agreement for the purpose of fixing the rate of wages or prices which the parties, entering into the agreement or any of them, should pay to their journeymen.' Thus the right, long acknowledged at common law, of freedom of labour and freedom of trade, received the sanction of the Legislature ; but, alas ! the difficulties connected with combinations and strikes were not thereby removed, and they reproduced themselves again and again so as to call for the interference of the Legislature, and the act of 1826 had to be repealed by an act of 1867.

Another question of great importance to the well-being of the labourer was one connected with labour in factories. Factory labour has long been fully established, and, economically, its advantages had been universally recognised. A system which combines the labour of numerous workmen for the production of that which previously resulted from individual employment, and one which is attended by so much order, economy, and simplicity of action, could not fail to prove most beneficial. Early in the history of factory labour, objection was made to the system of carrying on our industries by means of great assemblages of labourers, lest it should be prejudicial to small and isolated workshops. But the objection was entirely groundless. An enquiry on the subject was instituted by a committee of the House of Commons in 1766, and in an able report they said, 'Your committee have the satisfaction of seeing that the apprehensions entertained of factories are not only vicious in principle, but they are practically erroneous to such a degree, that even the opposite principle might be reasonably entertained. Nor would it be difficult to prove that the factories, to a certain extent at least, and in the present day, seem absolutely necessary to the well-being of the domestic system, supplying those very particulars wherein the domestic system must be acknowledged to be inherently defective ; for it is obvious that the little master manufacturer cannot afford, like the man who possesses considerable capital, to try the experiments which are requisite, and incur the risk and even losses which almost always occur in inventing and perfecting new articles of manufacture, or in carrying to a state of greater perfection articles already established. He cannot learn, by personal inspection, the wants and habits, the art manufacture and improvements of foreign countries. Diligence, economy, and prudence are the

requisites of his character, not invention, taste, and enterprise; nor would he be warranted in hazarding the loss of any part of his small capital. He walks in a sure road as long as he treads in the beaten track, but he must not deviate into the path of speculation. The owner of a factory, on the contrary, being commonly possessed of a large capital, and having all his workmen employed under his own immediate superintendence, may make experiments, hazard speculations, invent shorter or better modes of performing old processes, may introduce new articles, and improve and perfect old ones, thus giving the range to his taste and fancy, and thereby alone enabling our manufacturers to stand the competition with their commercial rivals in other countries.⁵

The real objections to the factory system were and are, not economical but social and moral. The evils complained of were that factory labour brought together large numbers of workmen and their families, and attracted to certain centres great masses of the labouring classes; that it accommodated hundreds and thousands of persons in large buildings, often not well ventilated, and often under a heated and suffocating atmosphere, and without due regard to difference of sex; that it led to imprudent marriages; that it created a great chasm between the employer and employed; that it threw a greater task upon women and children than their constitutions allow of; and that otherwise it introduced habits of social life not at all beneficial to the morals of the people. These evils manifested themselves very early in the history of factory labour. In 1796 Drs. Aiken and Perceval, two eminent medical men, called attention to many facts then experienced in connection with factories which created considerable anxiety. And in 1802 Sir Robert Peel brought in a bill to set a limit to the hours of labour in cotton-mills, which passed into law.⁶ It was then provided that, in all woollen and cotton mills and factories in the United Kingdom, in which three or more apprentices, or twenty or more other persons were employed, apprentices should have two complete suits of clothing yearly; that the hours of working should not exceed twelve hours, exclusive of meal times, for which three hours were allowed; that they should be instructed every day for the first four years of their apprenticeship in reading, writing, and arithmetic; that the apartments of males and females should be kept distinct; that two only should sleep in one bed; that the rooms should be washed with quicklime and water twice a year, and kept well aired; that at the Midsummer sessions two visitors should be appointed to report on the condition of such mills and factories, and that copies of the act should be fixed up in two conspicuous parts of the building. In 1816 Sir Robert Peel again obtained a committee to enquire into the subject, and in 1819 he brought in another bill to regulate the labour of children employed

⁵ 42 Geo III c 73.

in the great woollen, worsted, and flax mills of Yorkshire.⁷ No further legislation, however, took place on the subject till 1832, when first Mr. Sadler, and afterwards Lord Ashley, now Earl of Shaftesbury, urged before the House of Commons the necessity for further restraints. In deference to their earnest appeal a royal commission was appointed on the subject, and thus circumstances were made known which demanded a prompt remedy. Evidence was produced of children kept working fourteen or fifteen hours a day; of cases of deformity; of stunted growth, relaxed muscles, and slender conformation, and of numerous other injuries directly traceable to the system, to say nothing of disgusting atrocities between masters and men, and of moral enormities which might well alarm the staunchest advocate of the *Laissez faire* policy. It was too clear, indeed, that more restrictive legislation was wanted, and, notwithstanding a strenuous opposition, an act was passed by which night work was forbidden in the case of persons under eighteen years of age; the hours of labour of such were limited to twelve in the day, including one and a half hour for meals; the employment of children under nine was prohibited, except in silk mills; and under thirteen the hours were restricted to eight a day, or ten in silk mills; certain holidays were allowed, and certificates of health were required, under certain penalties, from a surgeon or physician previous to the admission of a child into a factory and this act was supplemented by another authorising the appointment of inspectors of factories.⁸ But factory legislation did not end there. In progress of time further limitation was placed on the labour of children, and afterwards, from time to time, the provisions of the acts were extended to other descriptions of manufactures and workshops.⁹ Would that the law could prohibit the employment of married women in factories! No wages they can earn are equivalent to the loss produced by their leaving their homes neglected, and their husbands and children unattended.

Another subject which required legislative interference on behalf of the workmen was the abuse of paying wages in goods or provisions instead of money. The practice had long existed, and many fruitless attempts had been made to abolish it by law. As early as 1464¹⁰ an act was passed against the abuses prevalent in the cloth-making trade, by which labourers were forced to take a great part of their wages in 'pins, girdles, and other unprofitable wares.' A hundred years later, in the time of Elizabeth,¹¹ an act prohibited payment of wages in wares and other kinds among the drapers, cottoners, and friezers in Shrewsbury. In 1701,¹² in order to prevent the oppression of the labourers and workmen

⁷ 59 Geo. III c. 66, 60 Geo. III. and 1 Geo. IV c. 5

⁸ 1 & 2 Wm. IV c. 39; 3 & 4 Wm. IV c. 103, 7 & 8 Vict. c. 15.

⁹ Factory Acts Extension Act, 1867, 30 & 31 Vict. c. 103, and Workshops Regulation Act, 1867, 30 & 31 Vict. c. 146

¹⁰ 4 Edward IV. c. 1, s. 5

¹¹ 8 Eliz. c. 7.

¹² 1 Anne st. 11, c. 18.

employed in the woollen, linen, fustian, cotton, and iron manufactures, it was enacted that all payments shall be paid in coin of the realm, and not by any cloth, victuals, or commodities in lieu thereof. Ten years after¹³ the woollen manufacturers were forbidden to make payments in 'any sort of goods or wares,' and in 1740¹⁴ an act was passed forbidding payments in 'victuals, goods, or commodities,' except at the workman's request, in the manufacture of gloves, breeches, boots, shoes, slippers, wares, and other goods. And the prohibition was repeated in later times as regards clothiers, lacemakers, cutlers, and colliers. But all apparently to no effect. In 1830 it was not an uncommon practice in certain trades for employers to set up large shops or stores for the sale to their workmen of all descriptions of necessaries, and instead of paying them their wages in money to give them tickets for these shops, usually kept by some relative or servant; or if money was given, it was with the tacit or express understanding that the workmen should resort to the warehouse or shop of their masters for such articles as were there kept. We might conceive the possibility that shops well provisioned by the masters with goods purchased at wholesale prices might prove of real benefit to the workmen, since these might prevent them from losing much in the purchase of small quantities from retail shops, often not the most scrupulous, and also enable the workmen to procure what they required near at hand; especially where the factories were in sequestered localities far away from villages. But the great evil and abuse of such a system was that the truckmasters used these shops as means of gain and extortion. Not only did they charge fifteen or twenty per cent. more for goods than they were worth, but were forcing on their workmen in payment of wages goods which were useless, or which were not required. The circulation of the current coin was thus checked and often superseded. Competition amongst shops was out of the question, and in many ways the system imposed a decided loss and inconvenience to the labouring population. A large number of petitions having been presented to the House of Commons complaining of the abuse, a bill to prohibit it was introduced by Mr. Lyttleton; and, though it met with a strong opposition, on the plea that workmen ought to be at liberty to come to what agreement they pleased respecting wages, and that no law of the kind could ever be effectual, public opinion decided in favour of the measure, and it passed into law.¹⁵

¹³ 10 Anne c 26; and see 1 Geo I c 15, s 11.

¹⁴ 12 Geo. I. c. 34.

¹⁵ 57 Geo III c 115, 58 Geo III. c. 51, 1 & 2 Wm IV c 37. In 1870 a royal commission was appointed to enquire into the operation of the above act, and they found that the truck system is still largely prevalent. It appears that 155,000 persons are engaged at works where either shops are kept or poundage is charged on all advances made to the men before pay day, and the commissioners recommended the extension of weekly or quasi-weekly pays, and some alterations in the penal and prohibitory provision.

And last, though not least, as a measure for the emancipation of labour, we have the abolition of slavery in the British colonies. We have already seen how, thanks to the energetic efforts of Wilberforce, Clarkson, Granville Sharp, and Macaulay, the slave trade was declared illegal from January 1, 1808; how, by the unremitting labours of Lord Brougham and his friends, the slave trade was declared piracy in 1824, and treaties were concluded with maritime powers for the maintenance of a squadron on the African coast to suppress the trade in slaves. But it was not till 1830 that Lord Brougham moved in earnest for the abolition of slavery in the British colonies. What could be said in favour of slavery? The Bible and philosophy allow that black men or Africans have a soul, as we have. Physiology demonstrates that, whether black or white, we are members of the same human family. History finds between the owner and the owned no trace of legitimate conquest. Law could attach no value to the pretended contract of ownership where there is a total absence of title, where the subject-matter is illegal, where of the two parties one is not free to act and the other acts in bad faith. Ethnology places on a higher rank those races who work for themselves than those who cause others to work for them. Political economy affirms the superiority of free labour over forced labour. Politics condemn slavery because it corrupts the superior race; religion and charity detest it, because it oppresses the inferior race. The state of the slave population in the West Indies was indeed most pitiful. Hated by all, mercilessly treated by their masters, without law or justice to protect them, the slaves were dying rapidly out, and the number would have been speedily exhausted but for the clandestine importation of slaves from Africa, which no vigilance could entirely prevent. In appealing against such an offence Lord Brougham always rose to the highest pitch of indignation. ‘Tell me not of rights,’ he said; ‘talk not of the property of the planter in his slaves. I deny the right. I acknowledge not the property. The principles, the feelings of our common nature rise in rebellion against it. Be the appeal made to the understanding or to the heart, the sentence is the same that rejects it. In vain you tell me of laws that sanction such a claim. There is a law above all the enactments of human codes—the same throughout the world, the same in all times—such as it was before the daring genius of Columbus pierced the night of ages, and opened to one world the source of power, wealth, and knowledge, to another all unutterable woes—such as it is at this day: it is the law written on the heart of man by the finger of his Maker, and by that law—unchangeable and eternal—while men despise fraud and loathe rapine and abhor blood, they will reject with indignation the wild and guilty phantasy that man can hold property in man.’ Such was the fervid manner in which Lord Brougham urged the eman-

icipation of slaves in the British West Indies. The agitation caused by the Reform Bill, together with the promotion of Lord Brougham as Lord Chancellor to the House of Lords, removing as it did the most undaunted champion from the popular arena of the Legislature, retarded for a while the settlement of the question. In 1832 Mr. Fowell Buxton made a motion on the subject, but at last Lord Stanley, afterwards Earl of Derby, then Minister of the Colonies, introduced a measure, and on August 28, 1833, the famous act¹⁶ was passed for the abolition of slavery throughout the British colonies from August 1, 1834, a compensation of 20,000,000*l.* being granted to the planters for the sacrifice thus imposed upon them. By the original measure all children under six years of age, or born after that date, were declared free; and all slaves above six years became apprenticed labourers, with weekly wages, till their final emancipation; some in 1838 and some in 1840. The apprenticeship system was not allowed, however, to continue as regards any class of labourers beyond the shorter time prescribed, and all slaves and apprentices became universally and absolutely free on August 1, 1838.

¹⁶ 3 & 4 Wm. IV. c. 73. Under this statute compensation was given for the freedom of 780,993 slaves. The value of the slaves was estimated at 45,281,736*l.*; the average value of a slave from 1822 to 1830 having been as high as 120*l.* in Honduras, and as low as 27*l.* 4*s.* in Bermuda. The 20,000,000*l.* was apportioned between the West India colonies, upwards of 6,000,000*l.* having been given to Jamaica, 4,200,000*l.* to British Guiana, and smaller sums to the other colonies.

CHAPTER IV.

THE COMMERCIAL CRISIS OF 1825-6

Favourable Prospects of Trade.—Foreign Mining and Loans —Reaction — Bankruptcies —Help by the Bank of England —Remedial Measures — Formation of Banking Companies.—State of Foreign Trade —Diminution of Taxes —Savings Banks

A HAPPY combination of events favourable to commerce and industry accompanied the introduction of Mr. Huskisson's measures. A succession of two or three good harvests in the years 1820-22, and great expectations of arrivals of gold from South America, elated the mercantile classes, whilst the resolution of Government to allow the continuance of the circulation of notes under 5*l.*, though the Bank of England was quite prepared to adhere strictly to the act of 1819, having an ample amount of bullion on hand to meet all outstanding engagements, gave considerable satisfaction. The rate of interest was, moreover, low, and new avenues of trade were continually being opened. A slight check was experienced in 1823, owing to somewhat scantier crops, and certain political quarrels between France and Spain, which it was feared might lead to an European war. But happily neither of these causes proved serious; and, though prices remained depressed, so soon as they were removed trade improved, and it was, on the whole, regular, sound, and satisfactory. We need not wonder, therefore, if, animated by such encouraging circumstances, several large companies were formed in 1824. Then it was that the St. Catherine Dock Company, the West India and the General Steam Navigation Companies, were started. In the same year the Thames Tunnel Company was formed, and several important lines of railway for passenger traffic, such as the Liverpool and Manchester, the Birmingham and Liverpool, and the London and Birmingham, were first proposed with great éclat.¹ It was, indeed, a memorable year that could produce so many proposals pregnant with future success. And so prosperous was every branch of trade in 1824 that the supply of all articles fell short in proportion to

¹ Mr Francis, in his *History of the Bank of England*, stated that the companies in existence and projected required a capital of 372,173,000*l.*, for which the amount of 17,605,000*l.* had actually been advanced. The report of the Committee of the House of Commons on joint-stock companies in 1844 gives lists of the companies, foreign loans, and schemes projected in 1824. They comprise 243 schemes, each averaging 1,000,000*l.*, and requiring the investment of 243,000,000*l.*, of which only 43,000,000*l.* had been paid.

the demand, and prices rose considerably. Hence, to a large extent, at least, from *bonâ fide* causes, and not from any speculative mania, Bowed Georgia cotton rose from $7\frac{1}{2}d.$ to $1s. 6\frac{1}{2}d.$ per lb.; East India cotton, from $5d.$ to $1s. 1d.$; China raw silk, from $16s. 6d.$ to $29s. 10d.$ per lb.; sugar of British plantations, from $29s. 11\frac{1}{4}d.$ to $41s. 5d.$ per cwt.; coffee, St. Domingo, from $58s.$ to $79s.$ per cwt.²

During the year 1825 another source of excitement occurred in the exaggerated expectations entertained of the trade with the South American states, and the extraordinary accounts of the riches of their mines, as a consequence of their recognition as independent states. If we might believe the statements put forth by parties interested in that quarter, the great Potosi of days gone by had once more been discovered; and, as there are always many ready to take advantage of the least indications of success, and prepared to build for themselves castles in the air, several companies were formed to invest English capital, machinery, and skill in undertakings of all descriptions. Nor was it long before the excitement became a real mania. The shares in such companies as the Real del Monte, the United Mexican, and the Anglo-Mexican rose to an extraordinary value.³ As the 'Annual Register' said,

² TABLE SHOWING THE FLUCTUATIONS OF PRICES FROM JULY 1824 TO JUNE 1826.

Articles of Produce	July to November 1824	Dec 1824 to June 1825	Jan to June 1826
Cotton Bowed Georgia, per lb	$7\frac{1}{2}d$ to $9d$	$16d$ to $18\frac{1}{2}d$	$6\frac{1}{2}d$ to $7\frac{1}{2}d$
East India . . .	$5d$ „ $6\frac{1}{2}d$	$10d$ „ $13d$	$4d$ „ $5d$
Cochineal . . .	$16s$ „ $19s$	$21s$ „ $24s$	$13s 6d$ „ $15s 6d$
Indigo . East India super.	$10s 4d$ „ $12s 10d$	$12s$ „ $16s$	$7s$ „ $11s$
Spices: Cinnamon	$6s 9d$ „ $7s$	$11s 6d$ „ $12s$	$6s$ „ $6s 9d$
Mace . . .	$4s 8d$ „ $5s 10d$	$13s$ „ $18s$	$5s 6d$ „ $6s 6d$
Nutmeg . . .	$2s 8d$ „ $5s 8d$	$8s$ „ $12s$	$3s 6d$ „ $5s$
Pepper . . .	$5\frac{1}{2}d$ „ $6d$	$8d$ „ $8\frac{1}{2}d$	$4\frac{1}{2}d$ „ $5\frac{1}{2}d$
Tobacco virgin . . .	$2d$ „ $7d$	$3d$ „ $9d$	$3d$ „ $8\frac{1}{2}d$
Silk China raw . . .	$16s 6d$ „ $23s$	$18s$ „ $29s 10d$	$13s 3d$ „ $16s$
Sugar B Peruvian	$29s 11\frac{1}{2}d$	$41s 5d$	$28s 7\frac{1}{2}d$
White Havannah . .	$35s$ to $40s$	$49s$ to $55s$	$38s$ to $42s$
Coffee St Domingo	$58s$ „ $60s$	$76s$ „ $79s$	$47s$ „ $49s$
Saltpetre . . .	$19s$ „ $20s$	$34s$ „ $36s$	$22s$ „ $24s$
Tallow . . .	$31s$ „ $32s$	$42s$ „ $43s$	$31s$ „ $32s$
Iron British, in pigs .	$6l$ „ $7l$	$11l$ „ $12l$	$8l$ „ $9l$
Lead . . .	$23l$	$30l$	$22l$
Spelter . . .	$20l 10s$	$41l 15s$	$26l$

From Tooke's *History of Prices*, vol II p 157

³ Mr. Francis, in his *History of the Bank of England*, gave the following fluctuations in the prices of shares:—

		Dec. 10.	Jan. 11.
Anglo-Mexican . . .	£10 paid	£33 prem.	£158 prem
Brazilian . . .	10 „	10 dis.	70 „
Colombian . . .	10 „	19 prem.	82 „
Real del Monte . . .	70 „	530 „	1,350 „
United Mexican . . .	10 „	35 „	155 „

Extravagant as were the expectations entertained of the Real del Monte mine, it does not appear that they were altogether mistaken. In the report of M. Middleton to the Foreign Office, in 1866, it is stated that the original company spent nearly 1,000,000*l.* upon the mine without being able to declare any dividend, that the mines were subsequently sold to some Mexican speculators

‘All the gambling propensities of human nature were constantly solicited into action, and crowds of individuals of every description, the credulous and the suspicious, the crafty and the bold, the raw and the experienced, the intelligent and the ignorant, princes, nobles, politicians, patriots, lawyers, physicians, divines, philosophers, poets, intermingled with women of all ranks and degrees, spinsters, wives, and widows, hastened to venture some portion of their property in schemes of which scarcely anything was known except the name.’ Not content with foreign mining, foreign loans became also most attractive investments. No sooner was it understood that the state of Peru had consented to borrow than the utmost anxiety prevailed to lend. The contractors, with scrip in hand, had difficulty in checking the eagerness of a crowd of applicants. Portuguese and Mexican, Greek and Brazilian, Peruvian and Buenos Ayres loans were in equal favour, purchasers little knowing, and caring less about, the financial or economic condition of the states to whom such money was lent. The loans contracted between 1821 and 1825 amounted in all to 48,000,000¹.

for about 27,000%, that they spent on the mines other 80,000% before they declared any dividend, but that now the total value of produce for the last ten years exceeded 6,000,000%, and the annual profits were 100,000%

¹ FOREIGN LOANS, FROM HYDE CLARK'S PAPER ON THE DEBTS OF SOVEREIGNS AND QUASI-SOVEREIGN STATES,¹ 1822-25.
(,000 s omitted.)

Year of Issue	Rate of Interest	Name of State	Total Amount of Loan contracted for	Amount of Loan issued in London	Price of Issue	Agents for Issue
1822	6	Chili .	1,000	1,000	70	Hullett Brothers & Co.
"	6	Colombia .	2,000	2,000	84	Herring, Graham, & Powles
"	5	Denmark	3,000	2,000	77½	A F Haldenman and B F Goldschmidt
"	6	Peru .	1,200	450	88	Fry & Chapman
"	5	Russia	3,500	3,500	81	Rothschild & Sons
1823	5	Austria	3,300	1,500	82	" "
"	5	Portugal	1,500	1,500	87	" "
1824	5	Brazil .	1,686	1,686	75	Rothschild & Sons, Thomas Wilson & Co
"	6	Buenos Ayres	1,000	1,000	85	Baring Brothers
"	6	Colombia .	4,750	4,750	88½	B A Goldschmidt & Co.
"	5	Greece	800	800	59	A Laughman & Co
"	5	Mexico .	3,200	3,200	58	B A Goldschmidt & Co
"	5	Naples	2,500	2,500	91½	Rothschild & Sons
"	6	Peru	{ Balance 182	{ 750	82	Fry & Chapman
1825	5	Brazil	2,000	4,000	85	Rothschild & Sons
"	3	Denmark	5,500	3,500	75	Thomas Wilson & Co.
"	5	"	1,000	—	—	See 1822
"	5	Greece	2,000	2,000	56½	Ricardo & Co
"	6	Guatemala	1,429	167	73	Barclay, Herring, & Co.
"	6	Mexico	3,200	3,200	89½	" "
"	6	Peru .	616	616	78	Fry & Chapman

¹ *Journal of the Statistical Society*, vol. xli p 313

Unfortunately there did not exist such an amount of available capital in the country to justify investments so varied and heavy. The amount of public deposits in the hands of the Bank of England, which in 1824 had increased to 7,222,187*l.*, in 1835 diminished to 5,526,635*l.* The rise in prices of produce naturally encouraged imports, which had to be paid for; and as large sums had moreover to be remitted out for foreign loans and foreign mining, the balance of trade and payments became against us, and an adverse move in the exchanges was the immediate consequence. The exchange with Hamburg, which on November 22, 1825, was at 36.10, on December 20 had risen to 38.1; with Lisbon, from 51½ the rate had fallen to 50; and with Paris, at three days' sight, from 25.20 the rate rose to 25.50. With a large importation of produce a great fall in prices became inevitable. Cotton fell from 16*d.* and 18½*d.* per lb. to 6½*d.* and 7½*d.*; sugar, from 41*s.* to 28*s.*; coffee, from 76*s.* to 47*s.*; and as the Bank found its bullion diminishing, a diminution of discounts became a necessity.

Then companies, hitherto considered most flourishing, suddenly began winding up. Failures commenced. Money was not to be had; and though the usury laws were in force, any price would have been paid for prompt accommodation. But matters daily became worse. House after house succumbed, and the panic became intense, general, and most contagious. Suspicion rested upon everyone, and bankers too, suffering immensely from want of confidence, were compelled to resort to every scheme to allay the unwonted fear. A Cambridge bank advertised that they would afford every facility to holders of their notes to have them exchanged for gold or Bank of England paper. An Oxford bank made a show of such a profusion of gold that everyone was satisfied, and no person thought of demanding it. At Norwich the Gurneys stopped the run by a show upon their counter of a pile of Bank notes many feet thick. But the failure of a banking house at Plymouth, and of a leading banking house in the city, naturally led to a run, and as many as sixty-three country banks succumbed in the crisis. These banks sought in vain the assistance of the Bank to change their notes of 1*l.* and 2*l.* for gold. The Bank itself had no gold to spare. The merchants, too, turned their eyes imploringly to the Bank for help, and it was with great difficulty that they succeeded in getting advances to an extent of 400,000*l.* on the security of goods.

But the difficulty had become so serious for the Bank, that it found itself in the necessity of discovering some extraordinary means of deliverance. We have already seen that the Government had allowed the circulation of notes under 5*l.* till 1832, but that the Bank of England had ceased issuing them. Now, however, the happy thought occurred to one of the directors that a box of 1*l.*

notes, which had never been issued, might opportunely be put in circulation. Permission was obtained from the Government to issue them, and this afforded some relief. Besides this, the friendly aid of the Bank of France was solicited and obtained. A credit was opened in Paris for 2,000,000*l.*, in bills drawn from London at three months' date. And thus, by degrees, a turn was given to the panic, which was gradually allayed as the increase in the rate of interest and the fall in prices caused the exchanges again to rise in favour of this country.

The Bank of England has been much censured for having stimulated the crisis by increasing the issue of notes at the very time when its bullion diminished. It was not till December 13, 1825, that the Bank raised the rate of discount on bills and notes not having more than ninety-five days to run from 4 to 5 per cent. Doubtless, as compared with 1823, the amount of Bank of England notes in circulation in 1825 was larger, and, as will be seen from the appended note,⁵ the disproportion between the circulation and the bullion on hand became greater and greater, especially when the circulation of country bankers is added thereto. But we should remember that the increase of notes was to a considerable extent owing to the increased trade. Bankers do not create trade; they only facilitate it by the help they are able to afford to their customers. At a time when the means of economising the circulation, such as the clearing house, the system of cheques, and extensive banking accounts, were by no means so great as they now are, any increase of transactions must of necessity have created the want of a larger circulation. It should be noted also that the principal increase in the issue took place towards the end of 1825, when the Bank of England was called to cover the deficiency caused by the sudden contraction of

⁵ The following table is given by Lord Overstone in his evidence to the Committee on Banks of Issue, 1840, p. 217 —

—	Bullion	Circulation	Lord Liverpool's Estimate of Country Issues	Aggregate Circulation
	£	£	£	£
Nov. 29, 1823 .	13,761,000	19,400,000	4,000,000	23,400,000
Feb. 28, 1824 .	13,782,000	19,736,000	6,000,000	25,736,000
May 29 " .	13,007,000	19,149,000	6,000,000	25,149,000
Aug. 28 " .	11,990,000	20,293,000	6,000,000	26,293,000
Nov. 27 " .	11,448,000	20,850,000	6,000,000	26,850,000
Feb. 26, 1825 .	8,857,000	21,060,000	8,000,000	29,060,000
May 28 " .	6,456,000	19,653,000	8,000,000	27,683,000
Aug. 27 " .	3,012,000	17,464,000	—	—
Feb. 25, 1826	2,309,000	24,955,000	—	—

The amount of country bank notes stamped from 1820 to 1825, estimated by the total amount which the stamps might circulate, was as follows — 1820, 3,503,000*l.*; 1821, 4,438,000*l.*; 1822, 4,296,000*l.*; 1823, 4,429,000*l.*; 1824, 6,724,000*l.*; and 1825, 8,755,000*l.*

the country bank circulation, and not in 1824, when the mania for companies began. Soon after the crisis was over Parliament met, and the speech from the Throne alluded to the circumstance in the following terms:—‘The embarrassment did not arise from any political events either at home or abroad; it was not produced by any unexpected demand upon the public resources, nor by the apprehension of any interruption of the general tranquillity. Some of the causes to which the evil must be attributed lie without the reach of direct Parliamentary interposition; nor can security against the recurrence of them be found unless in the experience of the sufferings which they have occasioned. But to a certain portion of this evil correctives at least, if not actual remedies, may be applied; and his Majesty relies upon your wisdom to devise such measures as may tend to protect both private and public interests against the like sudden and violent fluctuations, by placing on a more firm foundation the currency and circulating credit of the country.’ The Government was persuaded that the crisis had been greatly aided by the paper currency; that though speculation in trade had been the origin of the evil, and the spirit of gambling carried into every branch of trading had been the beginning, yet it could not have been so extensive if it had not been aided by the state of the currency. In the opinion of the Marquis of Lansdowne, ‘the first effect of an issue of country bank paper is to create an artificial abundance of capital: the accumulation of capital causes a reduction of the rate of interest; by the reduction of the rate of interest facilities are afforded for speculation; speculation produces an effect upon prices; the alteration of prices checks the progress of mercantile exports, and that causes the precious metals to be sent out of the country; and then ensues that lamentable distress which arises from an accumulation of stock purchased at high prices being obliged to be sold at greatly reduced prices under the influence of alarm.’

The remedial measures proposed by the Government on this occasion were these:—First, that the circulation of notes under five pounds, whether by the Bank of England or by country bankers, should be withdrawn. Secondly, that power should be given to the Bank of England to establish branches throughout the country, in order to supply the vacuum caused by the suspension of so many country banks; and, thirdly, that banks with any number of partners should be allowed to be formed throughout the country within sixty-five miles of London, provided such banks should not make their notes payable in London, nor draw bills on London for a less amount than 50*l*. It was certainly an anomalous fact that, for upwards of a century, the Bank of England had been the sole joint-stock bank, not only in London but throughout England, no banking institution being allowed to be formed with more than six partners, lest it should interfere with the monopoly of the Bank of

England. And therefore the Government propositions met with no opposition, and were carried into effect by the passing of two acts, one for the better copartnership of certain bankers in England,⁶ and another to limit, and, after a certain period, to prohibit, the issuing of promissory notes under a limited sum in England.⁷ The crisis of 1825-26 stands out prominently in the history of British commerce, but, like all other crises, it was momentary and transient. It was a dark day—a stormy season—but the gloom was easily dispelled, and commerce resumed its ordinary course, the merchants issuing forth out of it hearty, hopeful, and sanguine of future success. In a very short time credit revived, the circulation was enlarged, the Bank of England was again able to reduce its rate of discount, and, under the influence of a good harvest, the prices of grain declined sensibly, and the imports and exports increased.

⁶ 7 Geo. IV. c. 46.

⁷ 7 Geo. IV. c. 6. The issue of notes under 5*l* was restrained by the act 17 Geo. III. c. 30, and the restriction was afterwards made perpetual. In 1797, however, the restriction was suspended, and by the last act it was finally reimposed.

CHAPTER V.

RAILWAYS AND SHIPPING.

Introduction of Railways.—Objections to Railway Travelling.—Opening of the Liverpool and Manchester Railway.—Death of Huskisson.—Results of Railways.—Railway Legislation.—Introduction of Steam Navigation.—Diagram of Sailing and Steam Shipping, 1840-78.

AMONGST modern inventions the railway certainly holds a high and foremost rank, and it is of so useful a character that the wealth and advancement of any state have come to be estimated by the number of miles of railways laid down in it. The origin of railway communication must be found in the tramway long used in coal and iron mines. The earliest railway or tramway act was passed in 1801, for the construction of a railway from Wands-worth to Croydon, for 'the advantage of conveying coals, corn, and all goods and merchandise to and from the metropolis and other places.' In 1802 Richard Trevethick first invented a self-acting steam carriage, which, being adapted for the drawing of waggons, was first introduced in 1804 on the Merthyr Tydvil Railway, and drew ten bars of iron at the rate of five miles an hour. Locomotive power was successfully applied by George Stephenson on the Killingworth Railway in 1814, and its success led to the application of the same on the Stockton and Darlington Railway in 1821. And as the machine was perfected and greater speed was attained, George Stephenson urged the application of steam power and the use of the same to the conveyance of passengers and the transport of goods throughout the country. In 1820 Thomas Gray, of Nottingham, conceived the idea of extending railways over the kingdom. Two years later William James, of London, endeavoured to establish a railway between Liverpool and Manchester; and in 1824 Joseph Sanders, of Liverpool, issued the first prospectus for such an undertaking.

But what was to be done as regards the locomotive? The company offered a premium for the best that could be constructed. Four engines competed, and Stephenson's 'Rocket' was the successful one. But great opposition was offered to this mode of conveyance. The Government itself, perplexed and not knowing what to do, granted 130,000*l.* for putting the high road from London to Birmingham in a condition so perfect as to compete

with any railway! All kinds of misconceptions and fears were suggested against the practicability, utility, or safety of such a mode of travelling. The formation of railways, it was said, would prevent cows grazing and hens laying; the poisoned air from the locomotives would kill birds as they flew over them; the preservation of pheasants and foxes would no longer be possible; householders adjoining the projected line would have their houses burnt up by the fire thrown from the engine chimneys, while the air around would be polluted by clouds of smoke; horses would no longer be of any use; oats and hay would prove unsaleable commodities; travelling by road would be rendered highly dangerous; country inns would be ruined; the boilers would burst; and passengers would be blown to atoms. An influential periodical laughed at the absurdity of the idea. 'As to those persons who speculate on making railways generally throughout the kingdom, and superseding all the canals, all the waggons, mails, and stage-coaches, postchaises, and, in short, every other mode of conveyance by land and by water, we deem them and their visionary schemes unworthy of notice. What, for instance, can be more palpably absurd and ridiculous than the following paragraph, on which a prospect is held out of locomotive travelling twice as fast as stage-coaches? We should as soon expect the people of Woolwich to suffer themselves to be fired off from one of Congreve's ricochet rockets, as trust themselves to the mercy of such a machine going at such a rate.'

Yet, notwithstanding all these forebodings of evil, the Liverpool and Manchester line approached completion, and the time came for trying the great experiment. It was indeed to be a great era in the history of commerce, and a festival day for mechanical industry. For the day appointed, September 15, 1830, great preparations were made. The Duke of Wellington, Sir Robert Peel, Mr. Huskisson, and many other distinguished persons were invited to the ceremony. And at the appointed time eight locomotives, all built by Robert Stephenson, on the model of the 'Rocket,' took part in the procession. The train consisted of twenty-nine carriages; the number of passengers was about 600. At eleven o'clock the procession started from Liverpool accompanied by flags, music, and enthusiastic cheers of numberless spectators. The train passed safely Wavetrey station, Olive Mount cutting, Rainhill Bridge, the Sutton incline, and the Sankey viaduct to Parkhurst. There, however, the train stopped to enable the locomotive to take in water, and there the sad accident arose which turned the great festival party into a mourning procession. To afford an opportunity to the Duke of Wellington to see the entire procession, it was arranged that all the trains should pass before him whilst his carriage was stationary. Mr. Huskisson and other gentlemen alighted from their carriage,

and as he was going to shake hands with the Duke, the 'Rocket' passed rapidly and knocked him down, its wheels passing over his leg and thigh. Thus in a moment, what was the occasion of unlimited congratulation became the source of universal consternation. The journey was indeed completed, but Mr. Huskisson was conveyed to a place close by where he expired that same evening.

Yes! the same Huskisson who first inaugurated freedom of trade and navigation, inaugurated also by his own death one of the greatest of modern discoveries, one of the most valuable agents in modern commerce and intercourse. Honour to his memory! That we have emerged from a state of inactivity and entered on a career of boundless prosperity, we owe certainly to the initiatory measures of Huskisson. In his long and honoured career he did much to enlarge the field of British commerce, to improve our commercial code, and to promote the well-being of every class of society. By his able advocacy our colonies obtained that freedom of intercourse, without which they could never have attained their present importance. It was Mr. Huskisson who swept away some of the most injurious restrictions on our shipping. His speeches on the currency, on the combination laws, and on apprenticeship may be read with instruction and pleasure. Freedom was his motto, and in all the legislative acts which bear his impress freedom is the foremost and prominent principle. Well read in the school of the economists, he was the first to bring their teaching to the test of actual practice. He was the first British minister whose whole system of commercial policy was founded on sound, liberal, and enlarged principles, and who laboured earnestly and successfully to promote the power, happiness, and glory of his own country, not by seeking to exalt her at the expense of others, but by opening her ports to the ships and goods of all countries, and making her the centre and animating principle of a vast commerce founded on the satisfaction of the reciprocal wants and desires that subsist among nations.

And what has been the result of the marvellous invention of conveying passengers and goods by railway? First of all, an immense saving of time and money. Before the railway was established between Liverpool and Manchester there were twenty-two regular and seven occasional extra coaches which, if full, would carry 688 persons. The railway carried, in eighteen months, 700,000 persons, or on an average 1,070 per day. The fare per coach was 10s. inside, 5s. outside; by railway, 5s. inside, 3s. 6d. outside. By coach it took four hours to go from Liverpool to Manchester or *vice versâ*, by railway $1\frac{3}{4}$ hour. The rate of goods by canal was 15s. per ton, by railway 10s. 8d. By canal goods took 20 hours, by railway 2 hours. But these rates of saving and travelling have all been immensely extended of late years, and we

should have some stupendous figures were we to calculate the total amount saved by the millions of passengers now yearly travelling by rail all over the world, and by the immense tonnage of goods so conveyed.

Much might be said on railway legislation. The genius of British enterprise certainly consists in its freedom and daring. When railway travelling was first projected the proposal seemed all but chimerical, and it was most hazardous for capitalists to venture investing their capital in such works. To have fettered, therefore, the companies with any restrictions or conditions would have been most injudicious.¹ Even after the success of the Liverpool and Manchester Railway, the consequences to society which would result from the adoption of this new means of communication were seldom correctly appreciated by men of the best understanding, and under such circumstances it is less to be wondered at, that extensive powers should have been given to railway companies, without the accompaniment of such safeguards as subsequent experience proved to be necessary for the protection of the public. At the first, railway companies were not intended to have a monopoly of their lines. On the contrary, provision was made, in all or most of the acts of incorporation, to enable all persons to use the road on payment of certain tolls to the company, under such regulations as the company might make to secure the proper and convenient use of the railway. But no sooner were railways worked on a large scale with locomotive power, than it was found impracticable for the public in general to use the lines either with carriages or locomotive engines; and the railway companies, in order to make their undertakings remunerative, were compelled, with the assistance of the persons who had been previously engaged in the carrying trade of the country, to embark in the business of common carriers on their lines of railway, and conduct the whole operations themselves. When, in 1840, a committee of the House of Commons was appointed upon the railway system, they came to the conclusion that the right secured to the public by the railway acts of running their engines and carriages on the railways, was practically a dead letter, because no provision had been made for ensuring to independent trains and engines access to stations and watering-places along the lines; because the rates for toll limited by the act were almost always so high as to make it difficult for independent persons to work at a profit, and because the necessity of placing the running of all trains under the complete control of one head, interposed numerous difficulties in the way of independent traders. In 1844 Parliament again directed its attention to the increasing importance of railway commu-

¹ See the 7 Geo. IV. c. 49. An act for making and maintaining a railway from Liverpool to Manchester, with certain branches therefrom, capital, 510,000*l* in 100*l*. shares.

nication, and a committee was appointed on the subject. It was evident, indeed, that railways had by that time acquired a complete monopoly of the means of communication, not so much in consequence of the privileges conferred on the companies, as by the superior accommodation and cheapness of travelling which they afforded. It was clear, too, that there was yet ample scope for the extension of the railway system, and that nothing should be done to induce so much as a reasonable suspicion of good faith with regard to the integrity of privileges already granted, one of the elements of encouragement to future undertakings being a just and equitable dealing with those already established. Many recommendations were made by the committee respecting the rates of tolls and other means of control, and the result of this enquiry was the passing of the act in 1844,² which provided that if the clear annual divisible profits should amount to 10 per cent. on the paid-up capital of any railway authorised in that or any subsequent session at the end of twenty-one years from the passing of the act sanctioning the line, the Lords of the Treasury might revise the tolls, fares, and charges so as to reduce the dividend to 10 per cent., such revision being, however, accompanied by a guarantee on the part of the Crown that the revised rates should produce a dividend to the company of 10 per cent. for a further period of twenty-one years.³

With the successful inauguration of railways for personal communication and the carriage of goods, we must associate the wonderful progress of steam navigation. As far back as the sixteenth century, an experiment was made to apply steam power to navigation, but with no practical results, and it was not till 1807 that practical attempts were made to render Watt's famous steam engine serviceable to navigation. It wanted the connecting-link, the use of revolving paddles instead of oars. In 1736 Jonathan Hull took out a patent for a tow boat to be propelled by a paddle wheel set in motion by a sort of steam engine. In 1788 Mr. Miller, of Dalswinston, made a small engine, by which he succeeded in moving a vessel at the rate of seven miles an hour. Symington came next with his patent, and in 1803 the 'Charlotte Dundas' towed vessels on the Forth and Clyde Canal. Again, however, America came up to British achievements, and Robert Fulton, in 1807, made the first successful voyage by steam from New York to Albany. In 1812 Henry

² 7 & 8 Vict. c. 85.

³ In 1865 a Royal Commission, issued for the purpose of enquiring into various matters connected with the railways of Great Britain and Ireland, amongst other things enquired into the expediency of the purchase of railways by the State, but they reported that it was inexpedient to subvert the policy which has hitherto been adopted of leaving the construction and management of railways to the free enterprise of the people, under such conditions as Parliament may think fit to impose for the general welfare of the public

Bell started a steamboat on the Clyde, and that was soon after followed by a boat making a passage from Glasgow to London. In 1820 packets were established between Holyhead and Dublin, and in 1838 an ocean passage was accomplished by the 'Great Western' from Bristol, and the 'Sirius' from Cork, to New York. Thus little by little steam navigation was introduced on rivers, on the high seas, and on the Atlantic Ocean, and what was one day a rare experiment speedily became a regular means of navigation, destined henceforth to fill the highest position in the maritime intercourse of nations, and to supersede to a large extent sailing ships, both for near and distant navigation. The diagram exhibits in a striking manner the advance made by steam over sailing ships in the mercantile marine of the United Kingdom, and with that change quite a revolution was effected in the ports and places where ships are built and repaired; steam ships being built where iron and coal are more immediately available.

A marvel even greater than the steamboat, however, is the electric telegraph. The employment of a galvanometer, lines of wire, and a battery as a means of telegraphing, was suggested by Ampère in 1820. And in 1833 Gauss and Weber, of Göttingen, united the Observatory and Physical Cabinet, distant about a mile from each other, by two wires suspended in the air. But it was only when Messrs. Cooke and Wheatstone, in 1837, patented a five-needle telegraph that the invention was first put into practical operation by the construction of a line of telegraph for general purposes, and by the application of the same to the Blackwall Railway, which, being worked by rope traction with the accommodation of intermediate stations, rendered an efficient telegraphic system necessary. By means of the telegraph a communication could be maintained between the two termini and half a dozen intermediate stations, and signals could be transmitted to and from every station at intervals of a quarter of an hour throughout the day. Other improvements were subsequently made in the telegraph by Dr. Steinheil, Professor Moise, and Mr. Davy. In 1841 Mr. Bain invented his electric telegraph, with a printing apparatus, for recording the results, of ordinary inked types. In 1843 Mr. Cooke introduced the plan of suspending the wires on posts. And after successive inventions, by which the instrument was more and more perfected and rendered fit for general use, the Electric Telegraph Company was formed in 1846, which purchased most of the patents of Messrs. Wheatstone and Cooke and of Mr. Bain, and became for a time almost the sole means by which telegraphic communication was carried on throughout the kingdom. Nor did it end there. Not content with transmitting news by electricity upon land, the thought was soon after conceived of causing it even to cross the mighty ocean, and a submarine telegraph was laid, first from Gosport to Portsmouth, then from Dublin to Holyhead,

and soon after across the Channel from Dover to Calais. It was on September 27, 1851, that the first telegraphic message reached England from the French coast. The Submarine Telegraphic Company was then formed, and they constructed other lines from Dover to Ostend, Folkestone to Boulogne. And last, though not least, came the great Atlantic telegraph, with its wonderful wire perfectly insulated amidst the mass of water in the very depth of the ocean, connecting the Old World with the American continent.

The telegraph has produced a great change in the trade of the world. With the means of, almost instantaneous information, business transactions have become more rapid in execution, more certain in their character, and founded upon more diffused intelligence than when all information was communicated by letter. The range of speculation was also greatly lessened thereby, and room for great profits or losses proportionally diminished. Another great change is however impending in the introduction of the telephone. In 1876 Professor Alexander Graham Bell, of the University of Boston, in the United States, patented his improvements in electric telephony (transmitting or causing sounds for telegraphic messages) and telephonic apparatus. As described in the patent the invention consists in this. In all previous systems of telegraphy, messages have been received, either by means of chemical changes produced by the action of the electrical current, as in the various forms of automatic and autographical telegraphs; or by means of the mechanical movement of a portion of the receiving instrument operating to produce a visible signal, as in needle telegraphs; a mark upon paper or other material, as in printing telegraphs; or a sound, as in the Morse system. Upon these and all other plans it has been found difficult, if not impossible, to distinguish between more than four messages transmitted simultaneously over the same circuit, two in each direction. The invention of the telephone relates to the reproduction by the necessary receiving instruments of any particular sounds or combination of sounds through the agency of an electric current, whereby a multiplicity of telegraphic messages may be sent simultaneously over a single circuit in the same or in opposite directions, and received without confusion, and whereby articulate speech may be electrically transmitted.

CHAPTER VI.

COMMERCIAL AND ECONOMIC PROGRESS, 1821-1831.

Comparative Productive Forces, Great Britain and France — Treaties of Commerce — Financial Operations — Savings Banks — Increase of Population. — Progress of Science — Progress of Trade.

EUROPE now entered into a new era of peace and industry. It was, indeed, needful to repair the waste of war, and the leading states gave themselves in earnest to the arduous task. What forces could they command, what instruments were at their disposal for such a purpose? M. Dupin, in his elaborate work on the 'Productive and Commercial Forces of France,' estimated these forces as regards France and Great Britain in a careful and conspicuous manner. Taking the population of both countries as a basis, he reduced the entire number of men, women, and children employed in agriculture and industry to the standard of efficient adult human forces. He added to them a similar equivalent from the number of horses and cattle so employed. He ascertained and estimated the extent of the industrial forces in use, such as mills and hydraulic machines, and the power of steam and wind used in navigation, and brought out the important economic fact that in 1826 France possessed forces equivalent to 48,814,500 men, and the United Kingdom forces equivalent to 60,206,000¹ men. Comparing,

GREAT BRITAIN		M DUPIN'S ESTIMATE		FRANCE	
	Effective Labourers				Effective Labourers
<i>Agriculture.</i>				<i>Agriculture.</i>	
Human forces, 15,000,000,				Human forces, 21,057,000,	
equal to 6,397,000, adults				equal to	8,406,000
one-third	2,132,000			Horses, 1600000 × 7, equal	
Horses, 1,250,000 × 7, equal to	8,750,000			to	11,200,000
Cattle, 5,500,000 × 2½, „	13,750,000			Cattle, 6973000 × 2½, equal	
Ireland	7,456,000			to	17,432,500
	<u>32,088,000</u>			Donkeys, 240,000	240,000
					<u>37,278,500</u>
<i>Industry.</i>				<i>Industry</i>	
Human forces, 10,000,000,				Human forces, 10,550,000,	
equal to	4,265,000			equal to	4,203,000
Horses, 250000 × 7	1,750,000			Horses, 300,000, equal to	2,100,000
Ireland	1,260,000				<u>6,303,000</u>
	<u>7,275,000</u>				<u>43,581,500</u>
	<u>39,363,000</u>				
<i>Other Forces</i>				<i>Other Forces</i>	
Mills and hydraulic machines	1,200,000			Mills and hydraulic machines	1,500,000
Windmills	240,000			Windmills	253,000
Wind and navigation	12,000,000			Wind and navigation	3,000,000
Steam engines	6,400,000			Steam engines	480,000
Ireland	1,003,000				<u>5,233,000</u>
	<u>20,843,000</u>				<u>48,814,500</u>
	<u>60,206,000</u>				

moreover, 1780 with 1826, M. Dupin calculated that in France these forces increased at the rate of 217,090 adult men per annum, and in the United Kingdom at the rate of 628,000 adult men per annum. The statistics of human labour, and of other forces applied to agriculture and industry, are not so perfect as to enable us to estimate with any precision their gradual progress in this and other countries; but here lies the secret of the relative advancement or retrogression of different states, and in any history of commerce careful notice must be taken of all that tends to advance or retard the development of those forces whereby man works on nature. If the broad acres of old England have become more luxurious and productive, if her mineral stores have become a source of perennial wealth, if her cities are full of people and her manufacturing industry has become the wonder of all nations, it is because English labour has been intelligent and persevering; it is because, not content with the amplest use of human forces, England has availed herself to the utmost of whatever natural force science and art have provided for subjugating Nature and rendering her plastic and obedient to our will.

The population of the United Kingdom in the ten years from 1821 to 1831 increased as follows:—

—	1821	1831	Increase per Cent
England and Wales	12,173,000	14,052,000	15
Scotland	2,137,000	2,406,000	12
Ireland	6,869,000	7,828,000	13
Islands in the British sea	93,000	106,000	13
	21,272,000	24,392,000	14

Within the ten years the population of London and eleven other principal towns increased as follows:—

—	1821	1831	Increase per Cent
London	1,379,000	1,655,000	20
Birmingham	102,000	144,000	41
Bradford	26,000	43,000	65
Bristol	85,000	104,000	22
Glasgow	140,000	193,000	33
Leeds	83,000	125,000	50
Liverpool	138,000	202,000	46
Manchester and Salford	162,000	238,000	46
Newcastle-on-Tyne	42,000	54,000	28
Nottingham	40,000	50,000	25
Sheffield	65,000	92,000	41
Wolverhampton	53,000	67,000	26

Not much development was manifested in any branch of native industry during this period, and the activity of trade,

confined to imports, was mainly owing to a speculative demand, which sprung up from exceptional rumours respecting certain places of production. With France, trade continued unimportant. At the Restoration some attempts were made to diminish the duties on importation, and to remove some prohibition; but the manufacturers had learned to enjoy the monopoly conceded to them, and they resisted vigorously every effort to modify the same. In their petitions to the state they asserted that they had an exclusive right to supply the wants of the French people, and the Government was too weak to oppose their pretensions. A convention of commerce and navigation was concluded between England and France in 1826 by Canning and Huskisson and the Prince de Polignac, which abolished all discriminating duties of tonnage, harbour, lighthouse, pilotage, and other shipping dues.

With Prussia, also, a convention of commerce was concluded in 1824.

With Holland, too, a general treaty respecting territory and commerce in the East Indies was signed at London on March 17, 1824.

And with the United States trade was increasing, notwithstanding the discouraging influences of a protective tariff and great disturbances of credit. Not content with the protective tariff of 1816, the United States Congress, listening to the complaints of manufacturers, imposed taxes which increased from twenty to thirty per cent. the value of all the cotton, woollen, and linen manufactures, iron and other metals, worn or used by the citizens of the United States. The duties levied under this tariff were on cotton $42\frac{1}{2}$ per cent., on woollen goods 54 per cent., on bar iron 95 per cent., and on other articles of manufacture in proportion. There was, moreover, an enormous number of bankruptcies in the States. The paper currency was much depreciated, and a policy was pursued with regard to both commerce and banking which was not well calculated to encourage commercial enterprise.

Several South American States were then rising to independence and importance. Venezuela constituted herself a republic in 1821, Central America became an independent republic in 1821, and Hayti was recognised as an independent state in 1825, just as Brazil and Mexico had been so recognised in 1810.

Whatever improvement in the position of trade occurred at this time in the United Kingdom was due to the diminution of the burdens of taxation, and the gradual liberation of many industries from the trammels of the excise. In 1822 the malt duties were considerably reduced, as well as the duties on hides and skins. In 1823 the salt duty was reduced from 15s. to 2s. per bushel; and in 1825 the 2s. duty was also abolished. In 1825 the duty on manufactured glass was repealed, and a small duty of 3d. per lb. imposed on the fluxed materials. In 1826 a considerable reduction was

made in the duty on British spirits, and the duty on printed silks was repealed. And in 1830 all duties on hides and skins, and the duties on licenses to tanners and curriers, were repealed. The stamp duties were also reduced; and the obnoxious duties on houses and windows, on carriages and horses, were repealed.

Financial operations of considerable magnitude were made in connection with the national debt. In 1822, 150,000,000*l.* of 5 per cent. stock was reduced to 4 per cent. In 1824, 76,000,000*l.* of old 4 per cents. was reduced to $3\frac{1}{2}$ per cent.; and in 1830, 153,000,000*l.* of 4 per cent. was converted into a $3\frac{1}{2}$ per cent. stock. In every direction efforts were made to lighten the burdens of industry, and to open new outlets for trade and navigation.

Then, too, savings banks, the first of which had been introduced as far back as 1804 at Tottenham, were first recognised by law. In 1817, a fund, called the fund for the banks for savings, was opened with the national debt commissioners, into which all savings banks' deposits were to be placed.² In 1826 and 1828 the Legislature found it necessary to check the abuse of such banks, and in order to give greater security to depositors it prescribed that the rules of such banks should be submitted to a barrister appointed by the national debt commissioners, and also made it obligatory that the money deposited in savings banks should be invested in the Bank of England in the name of the national debt commissioners.³

In the ten years 1821-30 substantial progress was made in art, science, and industry. In 1820 the Royal Astronomical Society was founded, which obtained its charter in 1830. The Geological Society, which was founded in 1807, obtained its charter in 1826, and the Royal Zoological Society was also founded in 1826. It was in 1822 that the first steamer, the 'Comet,' was launched, and that the 'Syrius' steam packet sailed from London to New York, completing her voyage in seventeen days, and she was followed by the 'Great Western,' which left Bristol for New York, and made the passage in fifteen days.

² 57 Geo. III c. 120

³ 3 & 4 Wm. IV c. 14

The following facts show the progress of commerce during the ten years from 1820 to 1830 :—

IMPORTS OF RAW MATERIALS.

(,000 omitted)

—	1820	1825	Per Cent in 5 Years		1830	Per Cent in 5 Years		Per Cent in 10 Years	
			Increase	Decrease		Increase	Decrease	Increase	Decrease
Cotton wool, lbs	151,672	228,605	51	—	263,961	15	—	74	—
Wool, sheep's "	9,775	44,817	348	—	32,115	—	26	280	—
Flax, cwts	382	1,055	176	—	944	—	10	147	—
Silk, raw, waste, and thrown, lbs	2,027	3,604	77	—	4,693	30	—	130	—
Exports of British produce and manufacture									
	£	£	£		£				
Cotton manufactures, hosiery	13,680	15,152	10	—	15,144	—	—	12	—
" yarn	2,826	3,207	13	—	4,134	28	—	46	—
Woollen manufactures	5,586	6,186	10	—	4,728	—	23	—	16
" yarn	—	—	—	—	—	—	—	—	—
Silk manufactures	371	297	—	20	521	68	—	40	—
" yarn	—	—	—	—	—	—	—	—	—
Linen manufactures	1,678	2,130	27	—	2,066	—	2	23	—
" yarn	—	—	—	—	—	—	—	—	—
Machinery	—	—	—	—	209	—	—	—	—
Iron and steel	949	1,391	45	—	1,410	2	—	48	—
Coal	109	112	21	—	184	39	—	68	—
Earthenware	312	385	23	—	442	14	—	41	—
Total declared value of exports									
	£	£	£		£				
British produce and manu- factures	36,426	38,871	6	—	38,271	—	—	6	—
Distribution of exports									
	£	£	£		£				
Northern Europe ¹	2,935	1,534	—	47	1,712	11	—	—	41
Central "	8,353	6,951	—	16	6,664	—	4	—	20
Western "	3,876	3,135	—	19	2,587	—	17	—	7
Southern "	2,712	1,985	—	26	3,497	76	—	33	—
United States, America ²	3,875	7,019	81	—	6,132	—	12	58	—
British, North "	1,559	1,980	27	—	1,857	—	6	—	19
British West Indies ³	4,197	3,866	7	—	2,838	—	26	—	32
British India and China ⁴	3,693	3,423	7	—	4,199	12	—	12	—
Australia ⁵	117	199	70	—	316	37	—	170	—
Imports of articles of food and drink									
	£	£	£		£				
Grain and Flour, cwts.	4,114	3,754	—	16	9,012	140	—	99	—
Tea, lbs	16,067	29,345	82	—	31,897	8	—	98	—
Sugar, cwts	4,209	3,936	—	6	4,916	24	—	16	—
Tonnage of British and foreign vessels entered and cleared									
	£	£	£		£				
British	3,217	3,939	22	—	4,282	8	—	33	—
Foreign	881	1,863	111	—	1,516	—	18	72	—
Total	4,098	5,802	41	—	5,798	—	—	41	—
Tonnage of shipping belonging to the United Kingdom									
	£	£	£		£				
Sailing	2,439	2,329	—	4	2,201	—	4	—	9
Steam	—	—	—	—	—	—	—	—	—

¹ Russia, Sweden, Norway, Denmark, Iceland, Heligoland² Germany, Holland, and Belgium.³ France, Portugal with Azores, Madeira, &c., and Spain with Gibraltar and Canaries⁴ Italy, Austria, Greece, Ionian Islands, and Malta⁵ British North America⁶ United States⁷ British West Indies, with British Guiana and Honduras⁸ British India, Ceylon, and Singapore.⁹ Australian colonies and New Zealand

CHAPTER VII.

FINANCE AND BANKING.

Influence of Taxation on National Resources.—Sir Henry Parnell's Work.—Influence of Duties on Raw Materials.—Influence of Duties on British Manufactures.—Effect of High Duties on Smuggling.—Lord Althorpe's Budget.—The Wine Duties.—The Timber Duties.—The Bank of England Charter.—Report of the Committee.—Bank of England Notes Legal Tender.—The London Joint Stock Banks.—The London and Westminster Bank.

It would have been useless to expect that during war, when financial exigencies put the Chancellor of the Exchequer at his wits' end to supply the necessary funds, any special attention should be bestowed on the incidence of taxation on commerce and industry. With an expenditure ever varying and uncertain, yet always excessive, with the resources of the nation but little known and undeveloped, and with the national mind preoccupied by the one great thought of securing the safety of the country, that was not the time for studying the science of finance. When, however, peace was restored and matters returned to their normal condition, the state of the revenue, its huge proportions, and its strange anomalies, pressed themselves on the consideration of the thoughtful. By this time the revenue and expenditure were brought down to a level,¹ several important conversions had been made of the public funds, and Dr. Hamilton's book, showing the fallacy of the sinking fund, had borne fruit in the act of 1829, which provided that thenceforth the sum to be applied to the reduction of the debt should be the actual annual surplus of revenue over the expenditure.²

¹ In 1814 the total expenditure was 106,832,000*l.* In 1820 it was reduced to 4,457,000*l.*; in 1830, to 49,078,000*l.*

² During the whole period, from January 5, 1793, when the French war broke out, up to 1829, there was only one year (1817) in which money was not raised by loan, in order to aid the sinking fund, besides what was required for war expenditure. After excluding the period from August 5, 1786, to January 5, 1793, during which 8,147,631*l.* was applied to redeem 10,241,100*l.* of 3*l.* per cent. stock, bearing interest of 307,263*l.* per annum, there remains 321,902,824*l.*, which was applied between 1793 and 1829 to redeem 472,942,703*l.* capital stock carrying 14,488,388*l.* annual interest, the mean rate on the sum paid being almost exactly 4½ per cent. per annum. During the same period the total sum of 702,163,075*l.* was raised by loans, for which 1,052,536,700*l.* capital stock of funded debt was created, carrying 35,301,392*l.* annual interest, or a mean rate of 5*l.* 0*s.* 6*d.* per cent. per annum. The actual result of all these sinking fund operations, therefore, was that the total amount of 330,050,455*l.* was raised at 5*l.* 0*s.* 6*d.* per cent.

But other questions remained to be solved. Can industry be relieved of part, at least, of the heavy burden of taxation? Can any taxes be repealed or reduced without producing any material detriment to the revenue? Adam Smith had long before stated that, in the arithmetic of the customs, two and two instead of making four sometimes make only one—that the duties of customs might, without any loss to the public revenue, and with great advantage to foreign trade, be confined to a few articles only; that high taxes, by diminishing the consumption of the taxed commodities, or by encouraging smuggling, frequently afford a smaller revenue to Government than might be drawn from more moderate taxes; and that the temptation to smuggle can be diminished only by lowering a tax. Long experience had indeed proved the soundness of these principles, but no attempt had been made to put them into practice, and the field of enquiry and legislation was altogether untrodden when Sir Henry Parnell published his excellent work on financial reform.

First among the defects of the existing tariff was the imposition of heavy taxes on the raw materials of industry. It was easy to see that, by increasing the cost of manufactures, such taxes would lessen the amount of production, and render our manufacturers less able to carry on a successful competition with foreign manufacturers. The duty on hemp greatly raised the prices of articles in universal demand, as well as the prices of sails and cordage. The duties on ashes and barilla added to the prices of the materials of several manufactures. The duty on raw silk raised the price not only of silk manufactures, but of silk thrown at home. The duty on timber injuriously affected industry in a great variety of ways, in consequence of its being used in shipbuilding and machinery. The duty on bricks and tiles fell heavily on industry, in consequence of the number and size of the buildings required for mills, factories, and storehouses. The duties on hides and skins not only injured a very important manufacture, but raised the price of one of the necessities of life. The duty on coals and culm carried coastwise, affected the business of working coal-mines, and increased the cost of machinery, building ships, bleaching and dyeing, as well as of the steam power used in many processes of trade and manufacture.

Not less injurious in their working were the taxes on British manufactures, such as glass, paper, printed calico, soap, and many other articles then subjected to excise. The extent of the market

to pay off debt carrying interest at $4\frac{1}{2}$ per cent. The difference between these two rates is 10s 6d per cent per annum, amounting upon the total capital sum of 330,050,455*l* to 1,627,765*l* per annum, which may be set down as the increased annual charge of our funded debt, and a real loss to the public from this deceptive sinking fund system; without taking into account the expenses of the management of the sinking fund, and the increased amount of capital of debt, consequent upon the practice of borrowing on less advantageous terms for larger sums than were required to meet the actual public expenditure.—*Accounts of Public Income and Expenditure*, 366 of 1869, part II. p. 718.

for these manufactures, and consequently of the employment of capital and labour in producing them depending on the cheapness, it naturally followed that those duties, by increasing their prices, had the direct effect of limiting the market for them, and diminishing the employment of capital and labour. Moreover, the severe and vexatious regulations under which those duties were collected had most injurious consequences. By prescribing the processes of fabrication, manufacturers were not allowed to manage their trade in the way their skill and experience pointed out as the best, but were compelled to conform to such methods of pursuing their art as they found laid down in acts of Parliament. And by checking activity and invention among our manufacturers, the consumers of those goods were made to pay prices increased to the extent, not only of the duties imposed, but of the additional expenses incurred in consequence of such vexatious regulations.

The taxes on luxuries were too high, and their effect was to diminish the revenue and to encourage smuggling. The taxes imposed for the protection of agriculture had the effect not only of making the public pay a higher price for all articles of food, but also by diminishing the value of annual imports, causing a corresponding diminution in the annual value of exports of British manufacture; whilst the taxes for the protection of British manufacture, by preventing the importation of foreign goods, diminished the demand for the exportation of British goods, diminished the employment of shipping and foreign commerce, enhanced the prices of a number of articles, checked invention, gave encouragement to smuggling, and otherwise weakened and paralysed the energies of the nation.

Soon after the publication of Sir Henry Parnell's work on financial reform, it devolved on Lord Althorpe, as Chancellor of the Exchequer in Earl Grey's administration, to present his budget, and in it we have the first attempt at alleviating the burden of the poorer classes by reducing those taxes which pressed more immediately on the productive resources of the country. The budget proposed the repeal of the taxes on coal, tallow candles, on printed calico, and glass; the abolition of the duties upon a vast variety of articles which produced but a trifling amount of revenue; the reduction of the duty on tobacco; the equalisation of the wine duties, and a reform in the timber duties. And in order to make up the deficiency thereby created, the budget proposed new taxes on steamboat passengers, on *bond fide* sales of land, and of funded property, an import duty on raw cotton, and other duties of minor importance. We cannot say that the idea of imposing an objectionable tax in order to relieve the nation of another was a very happy one, and we are not surprised that some severe criticism was indulged in at the preference shown in reducing the duty on tobacco rather than on tea. Yet, on the whole, the budget was

well received, and it certainly embraced reforms of considerable importance in its bearings on international relations.

It was certainly high time to alter the tariff on wines, especially as regards French wines, upon which legislation had been extremely capricious. For centuries after the Conquest French wines had almost the entire monopoly of the British market, and though for a time, owing to the extension of foreign trade, the dry wine of Spain acquired favour, French wine continued long to be largely used. But the asylum and support given by Louis XIV. to the Stuart family irritated the British Government, and led to the imposition of a higher discriminating duty on French wines, first of 8*l.* per tun, and afterwards of 33*l.* Then Oporto wine began to be introduced to take the place of the red wine of Bordeaux; and soon after, in 1703, the famous Methuen Treaty was concluded with Portugal, which, under the pretence of securing a permanent market for British woollens, robbed England of a great and natural trade with a neighbouring country, and compelled her to use an inferior and dearer article from a country which, under no circumstances, could ever become a large customer of British goods. During the war the duty on Portuguese and Spanish wines had been 9*s.* 1*d.* per gallon, and on French wine 13*s.* 9*d.*; but in 1825 a considerable reduction of duty was made: Portuguese, Spanish, Madeira, Rhenish, and Sicilian wines were admitted at 4*s.* 6*d.* per gallon, and French at 7*s.* 3*d.* per gallon. Lord Althorpe proposed the equalisation of the wine duties at 5*s.* 6*d.* per gallon. And though the proposal was at first opposed, on the plea that we were bound by a treaty with Portugal to maintain a discriminating duty of 30 per cent. against French wine, the equalisation of duties was recognised as expedient, and was carried into effect.

The proposal as regards the timber duties was, however, less fortunate. Indefensible as was the system then in force, of imposing a very high differential duty on foreign timber, the public were not prepared to accept the small modicum of reform which Lord Althorpe proposed, viz. a reduction of 6*s.* a load on January 1, 1832, of 6*s.* more on January 1, 1833, and of 3*s.* more on January 1, 1834, making a total reduction of 15*s.* per load. The project was therefore rejected by a large majority, and, though the subject was remitted to a committee of the House of Commons in 1835, and a report was presented which recommended a reduction of the differential duty, no alteration in the timber duties was made for a considerable time after.

Whilst the financial policy of the country fully engaged the attention of the Chancellor of the Exchequer, the approaching expiration of the charter of the Bank of England in 1833 required immediate consideration, especially after the circumstances which accompanied the commercial crisis of 1825. Soon after that memor-

able year the necessity was seen of encouraging the formation of joint-stock banks throughout the country, and an act was passed accordingly.³ But the main rights and privileges of the Bank of England were left untouched, till an opportunity for considering them was afforded on the renewal of the Bank Charter. Was it expedient to continue all the monopolies which that institution enjoyed? Should the charter be renewed and the Bank still be highly favoured by the Legislature? For centuries the Bank of England was the only banking company allowed to exist in England. As we have seen by the Bank Charter Act of 1708, it was enacted that, during the continuance of the corporation of the Bank of England, it should not be lawful for any body politic or corporate, other than the Bank of England, or for any person whatever united in partnership, exceeding the number of six persons, in England, to borrow, owe, or take up any sum of money on their bill or note, payable on demand, or on any less time than six months from the borrowing thereof. Time after time the charter, with all its privileges and monopolies, was renewed with remarkable ease. But lately the action of the Bank on the circulating medium had been freely canvassed. Not a few were ready to criticise the conduct of the Bank in times of great national exigencies, and it was felt that more than a formal enquiry was requisite. In the session of 1832, therefore, a secret committee was appointed to enquire, not only into the expediency of renewing the charter, but into the system on which banks of issue in England and Wales were conducted. Three points were specially examined into by the committee: first, whether the paper circulation of the metropolis should be confined to the issue of one bank, or whether a competition of different banks of issue, each consisting of an unlimited number of partners, should be permitted; secondly, if it should be deemed expedient that the paper circulation of the metropolis should be confined, as at present, to the issue of one bank, how far the whole of the exclusive privileges possessed by the Bank of England were necessary to effect this object; and, thirdly, what checks could be provided to secure for the public a proper management of banks of issue, and especially whether it would be expedient and safe to compel them periodically to publish their accounts.

³ 7 Geo. IV c 46. In 1836 a committee of the House of Commons was appointed to enquire into the operation of this act, and it reported that the act was defective in not imposing any preliminary obligation to the formation of such banks, or any restriction upon the amount of the nominal capital, or on the number and amount of shares, or on the amount to be paid up, or on the publication of liabilities and assets, or on the traffic in shares.

The charter of the Bank of England was renewed in 1781 till twelve months' notice after August 1, 1812, when the Bank advanced 3,000,000*l.* for the public service for three years at 3 per cent, and also in 1800. till twelve months after August 1, 1833, when the Bank advanced to Government 3,000,000*l.* for six years without interest.

The committee had no time to complete their enquiry that session, and only submitted the valuable evidence they had received, without any formal report. Yet many matters of moment date from that enquiry: such as the publication of the accounts of the Bank, the publication of the amount of bullion held by the Bank, and the partial adoption of the principle of currency by which the Bank of England, as well as the country banks' circulation, should be regulated by the state of foreign exchanges. These and many other points were brought out with great fulness in the evidence before the committee, and, upon the presentation of the report, Lord Althorpe proposed that the Bank of England should continue to have the monopoly of the circulation; that no bank, with power to issue notes, with more than six partners, should be allowed to be established within sixty-five miles of London; that the charter should be renewed for twenty-one years, terminable at the end of ten years; that weekly accounts of bullion and securities, and of paper in circulation and deposits, should be presented; that Bank of England notes should be legal tender except at the Bank; that the usury laws should be so far modified as to exempt from their operation bills of exchange not having more than three months to run; that a fourth of the debt due to the Bank should be paid; that in future the Bank should deduct 120,000*l.* a year from its charge on account of the management of the public debt; that bankers should be allowed to pay a composition duty in lieu of the stamp duty; and that facilities should be given for the establishment of joint-stock banks at a certain distance from London. These proposals of the Government had been accepted by the Bank, but the House of Commons strongly demurred to the principle of making Bank of England notes legal tender.

Why were Bank of England notes thus exceptionally treated? Was it not introducing a species of inconvertible paper money? The reasons alleged for the proposal were, that in 1825 the danger of exhaustion did not so much occur from the demand for gold to meet the notes as from the necessity of enabling country bankers to pay their deposits. That in most of the country districts the amount of notes issued by the bankers bore but a small proportion to the amount of their deposits and engagements, for which they were obliged to provide in times of pressure; yet that it was to meet these that they applied to the Bank for bullion. It was, therefore, to guard against such a danger that it was thought desirable to make Bank of England notes legal tender. The measure was not intended for the benefit of the country bankers; its object was to keep in circulation as much paper as possible, and to prevent any unusual demand for gold upon the Bank of England. And upon such pleas, though very weak in themselves, after much discussion, the clause to that effect passed, as well as the main proposition, for the renewal of the Bank Charter.⁴

⁴ 3 & 4 Wm. IV. c. 98. By this statute bills of exchange not having more

Yet the bill was not allowed to pass without the insertion of one more clause, which, whatever was the design of its framer, exercised considerable influence on the future monetary institutions of the country. When the bill was passing its last stages through the House, a clause was introduced, to the effect that any company or partnership might carry on the business of banking in London, or within sixty miles thereof, provided such body did not borrow, or take up in England any sum of money either on bills payable on demand, or at any less time than six months from the borrowing thereof. By introducing this clause, the governors of the Bank of England believed that they would effectively prevent the establishment of any bank in London, and that they might thus enjoy for many years an undisputed monopoly; but they were wholly deceived. This clause proved soon after to be the open door by which joint-stock banks were permitted in the metropolis, and, on the strength of that very act, in 1834, the London and Westminster Bank commenced business.

That this unexpected event should disconcert the Bank of England we might well imagine. It was a bold attempt. For the first time since its formation the Bank had to realise the fact of having a competitor in the field, and, whether from fear of the possible results, or out of spite at such an intrusion, the Bank decided to offer all the opposition in its power to the same, and the occasion soon presented itself. The London and Westminster Bank requiring legal sanction to sue and be sued in the name of its officers, Mr. Clay introduced a bill on the subject in the House of Commons; but the Bank determined to oppose it in all its stages. The Chancellor of the Exchequer, espousing the cause of the Bank of England, opposed the bill, on the plea that it was a breach of the undertaking with the Bank on the renewal of its charter, yet the bill was read a second time by a majority of 141 to 25, and the third time by a majority of 137 to 16. Yet the Bank never relaxed its efforts to defeat it, and when the bill was presented to the Lords it was rejected by a large majority. The London and Westminster Bank, however, was not to be foiled by such manoeuvres. Undismayed by the powerful opposition, it advanced towards completion, and only avoided the difficulty of the mode of suing or being sued by putting forward its trustees instead of its officers. The Bank of England refused to keep a drawing account for the London and Westminster Bank, and soon after, in 1838, the Bank of England commenced legal proceedings to prevent the London and Westminster Bank accepting bills drawn at six months' date. For two years the suit was carried on, and it ended by the Master of the Rolls granting an injunction to

than three months to run were exempt from the operation of the usury laws, and three years after, by the 7 Wm. IV. and 1 Vict., the act was extended to bills of twelve months and under.

restrain the London and Westminster Bank from accepting bills at less than six months' date. Even this, however, did not disconcert the London and Westminster Bank. Persistent in its efforts to the last, it caused its country agents to draw upon the bank in London without needing acceptance, in the same manner as the Bank of Ireland draws upon the Bank of England. And thus, by one expedient after another, the London and Westminster Bank succeeded in neutralising the opposition, and the Bank of England became at last tired of its absurd and ill-conceived jealousy. A peculiar feature of the new joint-stock bank was the establishment of branches in different parts of the metropolis. On the same day when the head office of the London and Westminster Bank was opened in Throgmorton Street, a branch was established in Waterloo Place. In 1836 a branch was opened in Holborn and another in Whitechapel; Southwark came next, then Oxford Street; and so by degrees the London and Westminster Bank, under the able direction of its first manager, Mr. James W. Gilbart, a man distinguished for his talent, judgment, and liberality, became a bank second to none in the metropolis, and proved a formidable rival to the national institution, the Bank of England. Nor did it remain long alone. Soon after other banking institutions were established in the metropolis. The London Joint-Stock Bank came immediately after, in 1836; the Union Bank of London followed in 1839; after that the London and County Bank, originally the Surrey, Kent, and Sussex Bank, in 1839; and the Commercial Bank in 1840. Not only in the metropolis, but throughout the country, a great stimulus was given to the establishment of joint-stock banks.

CHAPTER VIII.

CORN LAWS.

The Corn Laws.—The Corn Law of 1801.—The New Corn Law of 1804.—The Corn Law of 1816.—Injurious Effects of the Corn Laws.—The Sliding Scale of 1828.—Mr Villiers's Motion.—Formation of the Anti-Corn Law League.—Mr. Villiers's Motion Renewed.—Object of the Anti-Corn Law League.

THE corn laws had long been a bone of contention in England. Maintained for the interest of a class who clung to them as their anchor of safety, they had always been attacked as an obstacle to the well-being of the middle and lower classes. In the opinion of their advocates protection was necessary in order to keep certain poor lands in cultivation, and to encourage the cultivation of as much land as possible in order to provide for the wants of the country. Let the cultivation of such lands cease, they said, and we shall be dependent on foreigners for a large portion of the people's food. Such dependence, moreover, may be fraught with immense danger, inasmuch as, in the event of war, the supplies may be stopped or our ports may be blockaded, and the result may be famine, disease, or civil war. According to the defenders of protection it was the advantage gained by the corn laws that enabled landed proprietors and their tenants to encourage manufactures and trade. Abolish the corn laws and half the country shopkeepers will be ruined, mills and factories will be stopped, large numbers of the working classes will be thrown out of work, disturbances will ensue, capital will be withdrawn, and no one dare venture to say what may be the fatal consequences.

In 1801 the price of wheat reached the high limit of 155s. a quarter, and we may well imagine what sufferings that price entailed among the people, at a time especially when trade and manufacture were so much paralysed by the Continental war. Happily, for two or three years afterwards, a succession of good harvests changed the condition of things, and in March 1804 the price of wheat fell to 49s. 6d. per imperial quarter. But what was anxiously desired by the people was regarded a great disaster by the agricultural interest. They complained that with the high cost of production, in consequence of high wages, high rate of interest, and the heavy cost of implements of husbandry, they could not afford to sell at such prices. Meetings were

held throughout the country to consider the case of the farmers. Mr. Western brought the state of agriculture before the House of Commons, and a committee was appointed on the subject. The farmers contended that at a time when all foreign supplies were shut out from our markets, and when we were more than ever depending on home production, it was the bounden duty of the Legislature to pass laws which would encourage the production of grain at home, so that the nation might be as much as possible independent as regards the first necessities of life. Unfortunately all the measures hitherto taken for the protection of the farmers resulted only in the aggravation of the sufferings of the people. It was easy by means of prohibitions and bounties to raise the price of corn and to give an artificial stimulus to agricultural prosperity, but the people were not able to buy bread at famine prices, especially at a time when taxes were so heavy. The report of the committee of the House of Commons presented the same session in 1804, was to the effect that the price of corn from 1791 to the harvest of 1803 had been very irregular, but that upon an average it had increased in a great degree in consequence of the years of scarcity, and had in general yielded a fair profit to the grower. It appeared to the committee, moreover, that high prices had had the effect of stimulating agricultural industry in bringing into cultivation large tracts of waste lands; and that this fact, combined with the abundance of the two last productive seasons, and other causes, occasioned such a depression in the value of grain as would tend to the discouragement of agriculture, unless maintained by the support of Parliament. Nor was there much difficulty in persuading the Legislature to give heed to such recommendations. Very soon after the presentation of the report, a corn law was passed,¹ which imposed a duty of 24s. 3d. per quarter on wheat so long as the price of the home market should be under 63s.; of 2s. 6d. so long as the price should be at or above that rate, and under 66s.; and of 6d. a quarter when the price should be above that rate. It does not appear, however, that the fear entertained by the farmers and the agricultural interest had been very substantial, for in the same year the harvest was deficient in quantity and inferior in quality, and all apprehensions that bread might become too cheap were entirely out of the question. A proposal indeed was made to encourage the growth of corn in Great Britain, and yet to diminish the price thereof for the benefit of the people by exempting farmers from all direct taxes. But such a plan would have only transferred the burden from one class to another. The time had not yet arrived for acting on the 'laissez-faire' principle. Artificial aid was sought for on all sides, and that always ended in disappointment.

At the conclusion of the French war in 1815 precisely the

¹ 44 Geo. III. c. 109.

same state of matters arose as in 1804. By the opening of the ports, wheat, which hitherto averaged 5*l.* 10*s.* a quarter, suddenly fell to 3*l.* 5*s.*, and immediately the farmers raised a cry of distress. Again a committee of the House of Commons was appointed to enquire into the state of the law affecting the corn trade, and once more the Legislature was engaged in framing a corn law,² which resulted in an act prohibiting the importation of wheat when the price was under 80*s.*, and allowing it to come free when above 80*s.* Yet serious misgivings existed as to the ultimate effect of the restrictive legislation respecting corn in the minds of many, and in the very House of Lords, which traditionally stood in bold defence of a protective policy, protests were lodged, which indicated the existence of a more enlightened opinion on the real bearings of the whole question. Lord Grenville and his compeers protested against this new corn law, because they were adverse in principle to all new restraints in commerce, deeming it most advantageous to public prosperity to leave uncontrolled the free current of national industry. In their opinion 'the great practical rule, of leaving all commerce unfettered, applied more peculiarly, and on still stronger grounds of justice as well as of policy, to the corn trade than to any other. Irresistible, indeed, must be that necessity which could, in their judgment, authorise the Legislature to tamper with the sustenance of the people, and to impede the free purchase and sale of that article on which depends the existence of so large a portion of the community. They thought that expectations of ultimate benefit from any corn law were founded on a delusive theory. They could not persuade themselves that such a law would ever contribute to produce plenty, cheapness, or steadiness of price. So long as it operated at all, its effects must be the opposite of these. Monopoly is the parent of scarcity, dearness, and uncertainty. To cut off any of the sources of supply can only tend to lessen its abundance. To close against ourselves the cheapest market for any commodity, must enhance the price at which we purchase it. And to confine the consumer of corn to the produce of his own country, is to refuse ourselves the benefit of that provision which Providence itself has made for equalising to man the variations of climate and of seasons. But, whatever might be the future consequences of that law, at some distant and uncertain period, they were convinced that these hopes must be purchased at the expense of a great and present evil. To compel the consumer to purchase corn dearer at home than it might be imported from abroad, was the immediate practical effect of the law just passed. In this way alone could it operate. Its present protection, its promised extension of agriculture, must result (if at all) from the profits which it created by keeping up the price of corn to an

² 55 Geo. III. c. 26.

artificial level. These future benefits were the consequences expected, though they confidently believed erroneously expected, from giving a bounty to the grower of corn by a tax levied on its consumers.' Such were the reasons urged against the corn law of 1815, and certainly they do honour to those who recorded them in the journal of the House. But many a year was to pass ere the protests of the few did become the deliberate conviction of the entire community.

For twelve years nothing further occurred on the subject of the corn laws, except the emission of repeated cries of distress by the agricultural classes, especially in the House of Lords. The country was indeed learning by bitter experience how direct is the relation between dear bread and bad trade, and the time arrived when the working of the corn law was once more to be laid before the Legislature. 'The corn laws,' said Mr. Whitmore, 'have inflicted the greatest injury upon the general trade of the world that ever perhaps was produced by injudicious legislation. They have deranged its course, stagnated its current, and caused it to flow in new and far less beneficial channels than it formerly occupied. To the corn laws he attributed the great and ruinous fluctuation of prices, which is the inevitable result of a system of restriction. The more the basis from whence your supplies are drawn is widened, the greater the steadiness of prices; the more it is narrowed, the more constant and the more fatal is their effect on the fluctuations to which you are subject. In the early times, when there was a difficulty in the conveyance of bulky commodities from one part of the country to another, arising from want of roads, when there existed a prejudice as well as a legal penalty against what was called forestalling and regating, the fluctuations in prices were immense. And the same holds good as regards other times and other countries.' Lord Lauderdale himself, whilst entertaining considerable fear of foreign competition, clearly showed what are the solid and what the fictitious ways to agricultural prosperity. 'I will take upon myself,' he said, 'to assert, that if there is any one proposition in political economy which may be affirmed without qualification, and which admits of no exception, it is this, that the interests of landlords properly understood are absolutely identified with the general interests of the country. Landlords have no interest in high prices; high prices raise rents nominally and in appearance; and, now and then, some temporary advantage may be obtained from them for which landlords will always pay afterwards with more than compound interest; but rents can only be raised largely, permanently, and beneficially to landlords by one of two causes, both of which are equally conducive to the prosperity of all other classes; first, by improvements in agriculture, which leave a larger surplus produce after the expenses of cultivation are defrayed; and secondly, by

improved and extended markets. Now, all improvements of agriculture which increase the surplus produce of the country are obviously a direct addition to the public wealth. And how are markets improved and extended? By new communication—roads, railways, canals—but principally by the continual rise and increase of large towns within our own empire, rendered rich and prosperous by thriving manufactures, and by all the improvements in skill and machinery connected with such establishments. The best job for the landlord is the prosperity of trade in all its branches, as the best job for trade is a prosperous state of agriculture. There is nothing to make the inhabitant of the town and the cultivator of the soil jealous of each other; quite the contrary, for the more each produces the more he will have to exchange for the other; and this is the foundation of the great internal trade, which is worth one hundred times more than all the foreign commerce of the country put together.*

Yet, notwithstanding the enunciation of these truths, the farmers clung tenaciously to protection; and it was not without a great struggle that they allowed the corn laws to be relaxed to a small extent. In the session of 1827 resolutions were passed in the House of Commons, to the effect that corn should be allowed to be imported free of duty, in order to be warehoused, and that it should be admissible for home consumption at a shilling per quarter duty when the price of wheat should be 70s., and at two shillings more for every shilling that the price fell below 70s. per quarter. These resolutions, however, made no progress, in consequence of the change of government. The following session the House of Commons passed other resolutions to the effect of imposing a sliding scale from 23s. per quarter when the price of wheat should be 64s., and 16s. 8d. when the price should be at 69s., to one shilling per quarter when the price should be at and above 73s. per quarter. And upon these bases a new corn law was passed,³ which, like its predecessors, did not long remain in force.

It was ten years after the passing of this first sliding scale, or on March 15, 1838, that Mr. Villiers, seconded by Sir William Molesworth, first commenced his attack on the policy of the corn laws in the House of Commons, though with little effect. In those days political economists were simply allowed to speak and complain. Their opinions were received as mere speculative theories, their recommendations were deemed as far beyond the reach of practical statesmanship. There was only one minister present when Mr. Villiers's motion was made, and, as might have been expected, it was lost by an overwhelming majority. But about that time a lecture was advertised to be delivered at Bolton, the birthplace of Arkwright and Crompton, on the corn laws, by

* 9 Geo. IV. c. 38.

a person quite a stranger to the town. It was a new subject for a lecture, and as the public mind was directed to the question the lecture drew a fair number of hearers. The lecturer, however, found, only when it was too late, that it was not easy to deal with economic questions before a mixed audience, and he completely broke down. The audience, not prepared for the disappointment, became impatient and vociferous, and a riot was impending, when a youth, a medical student, rushed to the platform, and on the spur of the moment addressed the people on the subject in a vigorous and manly manner. The people were delighted at this turn, and Mr. Paulton won for himself enthusiastic admiration. On the news of such an event travelling to the neighbouring towns, the lecturer was overwhelmed with invitations to redeliver his address, and everywhere he captivated the audience with his eloquent attacks on monopoly and monopolists.

As the interest in the question of the corn laws grew and extended, it became evident that a special and more popular agency was wanted for the purpose, and thus in October of 1838 eight⁴ men first united themselves with a view to establish an Anti-Corn Law Association. The list of the provisional committee was afterwards increased to thirty-seven, conspicuous among them being John Bright, George Wilson, and Richard Cobden. And the object of the association was declared to be to form a fund in order to diffuse information, by lectures or pamphlets, on the bearing of the corn laws, to defray the expense of petitioning, and, above all, to create an organisation to bring numbers together in such force, and with such energy of purpose, as to secure the great object, viz., the complete freedom of trade and the destruction not only of the corn monopoly, but of all the other monopolies bolstered up by this monster grievance. Small was the support at first obtained by this new association. Very few then appreciated its great moral importance. 'For the first two or three years of our agitation,' said Mr. Cobden, 'it was a very hopeless matter, and there was no *éclat* nor applause. . . . We sat in a small room, and we had a dingy red curtain drawn across the room that we might not be chilled by the paucity of our number. Two or three were all that were here (Newall's Buildings) on one occasion, and I recollect saying to my friend Prentice, "What a lucky thing it is the monopolists cannot draw aside that curtain and see how many of us there are, for, if they could, they would not be much frightened."' It was not long, however, ere the small association began to manifest its power and influence, and when, aided by the powerful support of some at

⁴ The original founders of the League were John Benjamin Smith, Archibald Prentice, Richard Cobden, Thomas Bazley, William Rawson, W. R. Callender, Henry and Edmund Ashworth. (See *Cobden and the League*, by Henry Ashworth, Esq.)

least of the leading journals, its voice resounded through the length and breadth of the land. Meetings and conferences then succeeded each other. From the manufacturing districts the movement spread to the metropolis, and with a clearly defined purpose in view, and with the highest economic authorities to appeal to in support of their principles, the Anti-Corn Law agitators made everywhere a profound and lasting impression.

On March 12, 1839, Mr. Villiers again brought the subject of the corn laws before the House of Commons, now, however, backed by a strong party both inside and outside the House. His motion was, 'That this House resolve itself into a committee of the whole House, to take into consideration the act 9 Geo. IV., regulating the importation of foreign grain.' Mr. Villiers showed that the corn laws were not beneficial to the agricultural interest, and that neither the agricultural labourer nor the farmer reaped from them any benefit. He asserted that the community at large suffered a loss through the corn laws, equal to a poll tax of 8s. a head, or a tax of 2*l.* on each family in the kingdom, and he demonstrated that commerce and shipping were greatly injured by them. Mr. Villiers's motion was seconded by Sir George Strickland, and on his side spoke Mr. Poulett Thomson, Sir William Molesworth, Mr. Grote, Mr. Clay, Lord Howick, Sir Henry Parnell, Mr. Ward, Lord John Russell, Mr. Hume, Mr. Fielden, and Mr. O'Connell; whilst against him were Sir James Graham, Sir Robert Peel, and a host of Conservatives. The discussion was animated and well sustained, and after five whole nights' debate the votes were taken and the motion was lost by 195 to 342. In the House of Lords, too, a discussion was commenced on the subject. On March 14 the Earl of Fitzwilliam moved, 'That the act 9 Geo. IV. c. 60, entitled "An Act to amend the law relating to the importation of corn," has failed to secure that steadiness in the price of grain which is essential to the best interest of the country;' but the motion was lost by 24 against 224. A day after Lord Brougham moved, 'That this House do immediately resolve itself into a committee of the whole House, to take into consideration the importation of foreign corn.' But the motion met a similar fate, only seven having voted for it, and sixty-one against it. Slow is the progress of any measure in the House of Commons when any substantial reform is contemplated, but slower still is its advance in the House of Lords. Coming less in contact with the mass of the people, comparatively strangers to their feelings and wants, conservative by interest and hereditary policy, the peers of the realm are necessarily the last to admit the need of change, and the last to make concessions to the altered exigencies of the times. Nevertheless there have never been wanting enlightened members in the Upper House who sought the maintenance and preservation of their order from that same law of progress on which all the institutions

of the realm depend, and who, far from regarding their interests as antagonistic to those of other classes of society, had the wisdom to discern that we are all subject to the same laws, influenced by the same circumstances, and alike bound to obey those laws of nature, which, more than any human contrivance, determine the progress and prosperity of states.

The result of Mr. Villiers's motion in the House of Commons was not likely to discourage the Anti-Corn Law Association. On the contrary, it imparted to it a new life and a fresh impulse. Determined to persevere till the end, the agitators saw in the strength of their opponents only an additional cause for more energetic labours. A meeting was accordingly organised in London, and the same voice which first gave strength and vivacity to the Manchester gathering, was now heard exclaiming, 'We are the representatives of three millions of people, a far greater number of constituents than the House ever could boast of. We well know that no great principle was ever indebted to Parliament for success—the victory must be gained out of doors. The great towns of Britain have extended the right hand of fellowship to each other, and their alliance will be a Hanseatic league against the feudal corn law plunderers.' The Anti-Corn Law League was never a political organisation. For years its members went on lecturing, distributing tracts, and acting as a peripatetic university in instructing the people on the evil of commercial monopoly. Never did they allow themselves to be tempted to other political topics. The League did not even wish to interfere with the system of taxation, further than extinguishing, at once and for ever, the principle of maintaining taxes for the benefit of a particular class. 'If it be asked,' said Mr. Cobden, 'why it is that we, professing to be free traders in everything, should restrict the title of our association to that of the "National Anti-Corn Law League," I will explain the reason. We advocate the abolition of the corn law because we believe that to be the foster-parent of all other monopolies; and if we destroy that—the parent, the monster monopoly—it will save us the trouble of destroying all the rest.'

CHAPTER IX.

THE COMMERCIAL CRISES OF 1836 AND 1839.

Prospects of Commerce.—Committee on Trade and Navigation —Commercial Excitement in 1836.—Number of Joint-Stock Companies —The Bank of England and the Circulation.—The Banks of the United States —The Crisis —Great Distress in Trade and Manufactures.—Causes of the Crisis. —State of Trade in 1838 —Lord Overstone on the Currency.

THOUGH banking facilities had increased, it cannot be said that trade had yet become over-prosperous. After the crisis of 1825–26 some improvement had been experienced, but a series of deficient harvests from 1828 to 1831, when the price of wheat averaged 60s. to 66s. a quarter, the revolution in France, and a war between Russia and Poland, checked any substantial progress. The prices of produce were so low, that many India houses succumbed; and although there was all the while a considerable development of the productive power of the country, consumption never seemed to overtake production, and complete stagnation characterised every branch of business.

The complaints of trade found utterance in the House of Commons, and a committee was appointed in 1833 to enquire into the state of trade, manufactures, and shipping in the United Kingdom; but the evidence given before the committee was to the effect that there was no real distress among traders; that, on the contrary, the commerce and manufacture of the country were in a remarkably sound and healthy state, that they were carried on with adequate capital and reasonable returns, and that there was a general confidence in the prospect of improving markets for all the great staples both of imports and exports. Nor was it long ere this improvement manifested itself. By degrees the great depression of prices which prevailed for several years, gave place to considerable animation. Greater confidence began to be felt, a *bonâ fide* demand sprang up both at home and abroad, and the stock of raw materials and colonial produce, instead of accumulating, underwent a sensible reduction. An abundant harvest in 1834 considerably strengthened the general tone, and added firmness to the value of all descriptions of property. In short, the state of trade decidedly improved, though, down to 1835, there was no sign of undue excitement, and prices of commodities, although in many cases at advanced rates, were not in any striking instance under the influence of speculation.

But the success which attended the formation of joint-stock banks in the metropolis and elsewhere, and the established fact that the railways already completed had proved a most profitable speculation, soon led to many projects of new lines of railways, and joint-stock companies of a varied character,¹ and thus by degrees the share market gathered around itself all the commercial spirit of the nation, and became infinitely more attractive than the markets for produce or manufactures. Numerous were the companies formed for railway purposes. Then it was that the Great Northern, the South-Western, South-Eastern, London and Brighton, Drogheda and Belfast, and other principal lines were projected. Mining became a favourite branch of investment; coal, copper, slate, lead, and silver mining, each received a large share of public attention, and companies were brought out, involving the nation in immense monetary obligations. Banking companies, too, mustered largely, and many were the projects for speculative purposes which we would scarcely imagine could meet with any sympathy. Those were the days when companies could be formed and capital subscribed for a London Steam Coach Company, a Safety Cabriolet Carriage Company, a Substitute for Indigo Company, and a Floating Club House. Many loans,² too, were contracted, foreign stock rose to a fictitious value, and joint-stock bank shares became the subjects of special favour. Altogether it was estimated that between 1834 and 1836 some 300 companies were started, with a subscribed capital of nearly 135,000,000*l*. Again, therefore, a frenzy of speculation appeared in 1835-36 just as in 1825-26, but with this important difference, that whereas in the former crisis speculation was mostly directed to foreign loans and foreign mines, on this occasion it was mainly confined to national operations, many of which proved to be eminently useful.

It is objected that the Bank of England remained too long passive in view of this important movement; that its circulation,

¹ The following are the objects and capital of the joint-stock companies of 1834-36.—

	Nominal Capital
Railways	£69,666,000
Mining companies	7,035,200
Packet and Navigation companies	3,533,000
Banking companies	23,750,000
Conveyance companies	500,000
Insurance companies	7,600,000
Investment companies	1,730,000
Newspaper companies	350,000
Canal companies	3,655,000
Gas companies	890,000
Cemetery companies	435,000
Miscellaneous companies	16,104,500
	<u>£135,248,700</u>

For note * see next page.

which in January 1834 was 18,000,000*l.*, with 9,500,000*l.* of bullion in hand, after an increase of 1,000,000*l.* from April to September, returned to 18,000,000*l.*; ³ that at that limit it

² The following were the loans contracted during the period from 1828 to 1839 :—

Year	Rate of Interest	Name of State	Total Amount of Loan contracted for	Amount of Loan issued in London	Price of Issue	Agents for Issue
1828	5	Spain . .	£ 600	£ 600	—	—
1829	5	Brazil . .	800	800	54	Thomas and William King
1831	5	Portugal . .	2,000	2,000	48	Ricardo & Co.
1832	5	Russia . .	6,000	—	92½	Baring Brothers
	5	Portugal . .	600	600	48	Ricardo & Co
1833	5	Greece . .	2,344	2,344	100	Rothschild & Sons
"	5	Portugal . .	2,000	2,000	48	Ricardo & Co.
"	5	Russia . .	3,000	3,000	—	Baring Brothers
"	6	Portugal . .	1,000	1,000	94	J. L. Goldsmid
1834	6	Spain, Cuba	450	450	—	Wright
"	5	"	4,000	4,000	60	Ardom & Ricardo
1835	3	Portugal . .	6,000	6,000	70	Rothschild & Sons
1836	4	Belgium . .	1,200	1,200	92	—
"	5	Florida . .	200	200	—	T. Wilson & Co.
"	6	Portugal . .	900	900	80	J. L. Goldsmid
1837	—	"	2,000	1,000	—	"
"	6	Spain, Cuba.	113	113	—	—
1839	5	Brazil . .	313	313	78	Thomas and William King

See Mr. Hyde Clarke's paper in the *Journal of the Statistical Society*, vol. xli p. 299.

³ The following table shows the amount of circulation and bullion from 1834 to 1837, thousands omitted :—

—	Bank Circulation	Country Circulation	Total Circulation	Bullion
	£	£	£	£
1834 January 1 . .	18,216	10,152	28,368	9,448
April 1	19,097	10,191	29,288	9,431
July 1	18,895	10,518	29,413	8,695
September 23 . .	19,126	10,154	29,280	7,695
December 18 . .	18,304	10,659	28,963	6,720
1835 April 7	18,591	10,420	29,011	6,329
June 30	18,315	10,939	29,254	6,219
September 22 . .	18,240	10,429	28,669	6,261
December 16 . .	17,321	11,134	28,455	6,626
1836 April 5	18,063	11,447	29,510	7,801
July 1	17,899	12,202	30,101	7,362
September 22 . .	18,147	11,733	29,880	5,719
December 15 . .	17,361	12,011	29,372	4,545
1837 April 4	18,432	11,031	29,463	4,071
June 27	18,202	10,872	29,072	4,750
September 19 . .	18,814	10,142	28,956	6,303
December 14 . .	17,998	10,870	28,868	8,172

remained for nearly the whole of 1835 and 1836, whilst the country circulation also was almost stationary at about 11,000,000*l.*; and that this was allowed whilst the bullion on hand was diminishing, so much so that towards the end of 1836 it fell as low as 4,500,000*l.* against an aggregate circulation of Bank of England and country circulation of 29,000,000*l.*; and that it was not till July 1836, when too late, that the Bank raised the rate of interest to 4½ per cent., and in September to 5 per cent. Certainly there is much reason for this complaint, for when the directors of the Bank of England awoke from their slumbers, and resolved to refuse all bills having an endorsement of joint-stock banks of issue, a severe crash had already taken place, and the measures of restriction had only the effect of intensifying the paralysis.

Whilst matters were in this critical condition serious accounts arrived from the United States respecting the condition of their banks, and the actual bankruptcy of as many as 250 banking houses; that a complete panic had seized the commercial community; that, in the first three months of 1837, as many as 250 houses failed in New York alone; and that the suspension of cash payment was very general. We may imagine what distress such a catastrophe produced on the trading interests of the United States. The most worthy and enterprising men of business were suddenly arrested in their progress. Merchants were unable to pay the manufacturers, and the manufacturers could no longer proceed with their work. With no money to pay, the spindle and the loom were alike stopped.

The reception of such tidings in this country whilst trade was in the perilous condition we have described, could not fail to create additional trouble and distress. The commercial relations between Great Britain and America have always been most intimate, and, at that particular time, an immense amount of business was carried on between them. There was something, moreover, in the mode in which such business was carried on that greatly increased the influence of the American crisis on British interests. Formerly, it was the practice of English houses having orders from the States to draw for the amount upon the transmission of the bills of lading and invoices to their correspondents. But subsequently, the leading American houses had established agents in this country, furnished with credits on the British houses connected with America, who allowed them to draw at four months' date upon the deposit of bills of lading and invoices. Had this precaution been carefully taken, no inconvenience would have arisen from the altered practice; but, unfortunately, even this security was in practice relinquished, and the American houses were able to carry on their operations entirely on credit obtained in England. The whole business was in the hands of seven large houses, six of them in London, and one in Liverpool, and these happened to be at that

time under acceptances for 15,000,000*l.*, for which they had no other security than the bills drawn on America as already described. When, therefore, the news reached this country of the great crash among the American bankers, the Bank of England, alarmed about the stability of many large houses in this country connected with them, sent orders to its agents in Liverpool to refuse their paper. And this was the commencement of a severe reaction and crisis in all branches of industry. Great gloom then gathered over our commerce, a panic set in in earnest, and bankruptcies, cessation of business, depreciation of goods and securities, prostration of trade, followed each other with wonderful rapidity.

In June 1837 a large meeting was held at Birmingham, to consider what measures should be adopted, calculated to relieve the appalling state of commercial distress. At Nottingham a similar meeting was held, thousands of operatives being there employed on the roads by public subscription. At Manchester there were 50,000 hands out of employment, and most of those employed were working only half time. In Scotland there were many failures, and in Ireland the state of trade was still worse. Thus matters continued for some time, till by a restricted circulation, a higher rate of discount, large advances made by the Bank to banks and other houses, and by other means, the great strain of the crisis was removed, and eventually it did not leave any serious trace of ruin and bankruptcy. Serious losses there were, but in the end the storm only tended to cleanse the commercial atmosphere from many impurities.

Many are ready to assert that the crisis had been caused by excessive speculation stimulated by an over-issue of paper, and both the Bank of England and country banks have been censured for want of prudence. Doubtless the discredit of the country banks and of their notes so far aggravated the crisis; nevertheless, that could not be a sufficient reason, seeing that in Liverpool and Manchester, where the crisis was most felt, the banks were not issuing their own but Bank of England notes. Probably a timely contraction of such notes, especially as the bullion diminished, might have somewhat checked speculation, or at any rate have given a wholesome warning of the approach of danger. But when we come to trace the crisis to its source, it will be found that banking operations had but little influence in producing it in comparison with those revolutions in trade and finance which often defeat the wisest calculations. In the United States the President attributed the crisis entirely to a redundancy of credit. In his message he said: 'The history of trade in the United States for the last three or four years affords the most convincing evidence that our present condition is chiefly to be attributed to an over-action in all the departments of business, an over-action deriving perhaps its first impulse from antecedent causes, but stimulated to

its destructive consequences by excessive issue of bank paper, and by other facilities for the acquisition and enlargement of credit. In view of these facts, it would seem impossible for sincere enquirers after the truth to resist the conviction that the causes of the revolution in both countries have been substantially the same. Two nations the most commercial in the world, enjoying but recently the highest degree of apparent prosperity, are suddenly, without any great national calamity, arrested in that career, and plunged into embarrassment and distress. In both countries have we witnessed the same redundancy of paper money, and other facilities of credit, the same spirit of speculation, the same partial success, the same difficulties and reverses, and, at length, the same overwhelming catastrophe.'

The year 1838 opened prosperously, the chief, if not the only adverse, event being a late and a deficient harvest, which led to a considerable rise in the price of grain, and consequently to a large importation of corn, causing bullion to flow out of the country. But there were other sources of danger. The state of credit all over Europe was bad, large sums of Dutch and other foreign securities were negotiated in this country, and the financial condition of America was regarded with great uneasiness. In 1839 the harvest was again unsatisfactory, and the drain of bullion continued constant and rapid; so rapid, indeed, that in September 1839 it was reduced to 2,816,000*l.*, and the Bank of England was under the necessity of borrowing from the Bank of France 2,000,000*l.* The method pursued in this case was singular. The borrower was the Bank of England, the lender the Bank of France. But it being neither the practice of the Bank of England to draw foreign bills, nor of the Bank of France to make advances except in discount of bills or upon Government securities, it was agreed that Messrs. Baring Brothers should draw upon certain bankers appointed in Paris, and that the Bank of France would undertake to discount them. Messrs. Baring then sold the bills in London and paid the proceeds to the Bank of England. All the while when the state of credit was bad and capital very deficient, the rate of interest was comparatively low. At the commencement of 1839 the rate was only $3\frac{1}{2}$ per cent.; it increased in May to 5, in June to $5\frac{1}{2}$, and in October to 6 per cent. But the pressure did not last very long. Towards the end of the year it was nearly all over, and though the number of bankruptcies was large, the injury was not nearly so extensive in 1839 as it had been in 1837.

The influence of the Bank of England and other banks of issue upon the condition of trade in 1836 and 1839 was reviewed at length by the committee on joint-stock banks in 1836, and by the committee on banks of issue in 1840. But the most severe censure was pronounced by Lord Overstone, in his remarks on the management of the circulation, and on the condition and

conduct of the Bank of England, and of the country issues. To his reasoning on this important question we cannot revert; but the conclusions he arrived at were, that a strong remedy was required, and that it was expedient to secure, strengthen, and if possible to extend, the monopoly of the Bank of England as regards the currency, with the view of rendering the indirect control which she can exercise over subordinate issuers more powerful: that it was desirable to make some gradual approach towards the separation of its banking functions from its management of currency, with the view of rendering the body which undertakes the latter duty free from all conflicting interests and motives, and at the same time make her responsibility distinct and complete, and the nature of its proceedings simple and easily understood; and that it was proper, in the meanwhile, to separate the accounts of the Bank of England, of the management of the currency, from every branch of its business, to subject the superintendence of this department to a separate committee of currency, and to associate with this committee a representative of Government, whose presence should always be requisite to constitute the committee for business. In 1840 the question of the conduct of the currency was reopened by the appointment of a committee of the House of Commons to enquire into the effects produced on the circulation of the country by the various banking establishments issuing notes payable on demand, but the committee did not report fully on the subject, and only presented the large amount of evidence collected. Let it not be imagined that the Bank of England at this period was guided by no principle in the regulation of its issues. Generally, and excepting under special circumstances, the Bank considered it quite sufficient to keep on hand securities bearing interest, to the extent of two-thirds of its liabilities, the remaining third being held in bullion and gold; any reduction of the circulation, so far as it might be dependent upon the Bank, being subsequently regulated solely by the foreign exchanges, or by internal extra demand. The object of retaining a fixed amount of securities by the Bank at a period of full currency, and continuing it afterwards, so far as it was practicable, was to throw the action of the increase or decrease in the circulation upon the public, with reference to the state of the foreign exchanges on the import or export of bullion. The rule had not been adhered to in several instances, and doubts were expressed as to the soundness of its principle as applicable to the Bank of England, from its mixing up deposits and circulation. But the Bank directors conceived that this rule had received some sort of legislative sanction, and they felt themselves bound to adhere to it as closely as circumstances would permit.

CHAPTER X.

AMERICAN BANKING.

The Banking System of the United States —The Circulating Medium in the American Colonies.—Foundation of the Bank of the United States.—Removal of Deposits.—General Banking Law of 1838

THE condition of currency and banking in the United States of America has always excited the liveliest interest in this country, on account not only of their intrinsic importance in an economic aspect, but of their immediate bearing on the state of commerce and finance in the United Kingdom. A large portion of the commerce of England with foreign countries has always been carried on with the United States. The amount of British property invested in American securities is very large. It is in London that all the exchanges between the United States and India and China are settled. Enormous amounts of bills are daily running reciprocally between England and the United States. Next, indeed, to what is passing in the United Kingdom itself, it is to the United States that the attention of the financier and economist must be directed, and many are the changes and oscillations which vibrate through the electric wire safely lying at the very depth of the Atlantic.

Many are the problems suggested by a survey, however rapid, of the banking system of the United States. How far has banking, which is recognised everywhere as a powerful auxiliary in the production of wealth, tended to advance or retard the prosperity of the United States of America? Whence have arisen those frequent panics and crises which have marked the history of American banking and finance? What lesson can be drawn from the history of banking in a country which boasts itself of allowing the principles of freedom to operate their necessary consequences in every department? What analogy does exist between the State banks of the United States, and the State banks of Russia, or the banks of England and France? What connection is there between the currency system adopted after the conclusion of the recent war in America, and the national banks thereafter organised? There is much in the history of American banking which is worthy of careful attention.

To form, however, a correct notion of the working of any

system of banking, we must not ignore the idiosyncrasies of the nation among whom it operates. Compare the cool, shrewd, calculating mind of the Scotch or the Dutch, with the impassioned, go-a-head spirit of the American. The same law may operate very differently among the one or the other. Account also should be taken of the geographical condition of the country. A national bank may be effective in England, which is intersected all over by railways, and is otherwise conspicuous for the unity of her institutions. But in the United States, where each state possesses a certain amount of autonomy, and where the area of each is so vast, no single bank, and probably no single system of banking, may be at all sufficient. In the Old World, moreover, we advance but slowly, and the wants of banking and finance may be calculated with sufficient accuracy. Not so in the New World, where progress is so rapid and intermittent. The principles must necessarily be always the same, yet when applied over a wider area and appearing in new combinations and modifications, they reveal themselves in a new light, and may become the subjects of fresher studies.

Gold and silver have not been always the circulating mediums of the United States. When the pilgrim fathers sought for themselves in the New World that freedom of conscience which was denied to them in the Old, they carried with them a most insufficient supply of the precious metals. Tobacco and corn were then used as a circulating medium. In 1641 General Court, of Massachusetts, ordered all payments to be made in corn at the usual price. Two years after, wampourhead, an article of traffic with the Indians, was constituted a valid currency. In Virginia, young men and old bought wives and paid for them in tobacco. Maryland, in 1732, adopted tobacco as legal tender at 1*l*. per lb. These were, indeed, the days of small things for the American colonies. Gold and silver were scarce, and produce was not always realisable. Yet the British Government was not favourable to the introduction of paper money. In 1764 an act was passed, declaring that no paper money should be legal tender in payment, and enjoining the paper in circulation to be sunk—that is, paid off in hard money within a limited time. But necessity has no law, and only a few years after, in 1773, another act was passed, providing that the paper issued by the governments of the colonies in America, as security to their public creditors, should be received by the public treasurers as a lawful tender for the payment of taxes.

At the breaking out of open hostilities against the mother country, the American colonies found themselves wholly unprovided with the sinews of war, and they began to issue paper or ‘continental money,’ as it was called. The first issue, in limited quantity, in 1775, was well sustained, but rapidly as the struggle

advanced, and the amount swelled, the depreciation became more and more sensible. With an issue of \$30,000,000, in 1778, six dollars in paper were given for one silver dollar. With an issue of \$200,000,000, in 1780, \$80 in paper were given for one silver dollar; and so the depreciation increased till \$400, and even \$1,000, in paper, were given for one silver dollar. Matters at last came to such a point that it was impossible to fix any standard of value for the paper in circulation. No one knew what he was doing in money matters. The currency had ceased to be any longer a standard whereby the value of any property or labour could be ascertained. But what happened in North America, in 1780, is just what happened only thirteen years after in France, with the circulation of the assignats. A currency resting on confidence may exist advantageously, but the primary conditions of success must necessarily be a sound discretion as to the amount of issue, and ample guarantee for the stability of public institutions. Here both were wanting. The issue was inordinate. The war with England was a step, the result of which no one could foresee, and, as might be expected, all the elements of fear and uncertainty were reflected in the depreciation of the colonial issues.

The strife, however, was not long. The colonists gained the day, and a new era in currency and banking was inaugurated with the final adoption of the constitution of the United States of America in 1789. Not a year, in fact, elapsed when Alexander Hamilton, the Secretary of the Treasury, laid before Congress a plan for the establishment of a Bank of the United States, for which he presented a bill before the House understood to have been approved by Washington himself. The bill itself, which passed into law,¹ was simply an act to incorporate the subscribers to the Bank, or to establish a corporation, but it contained two clauses of doubtful expediency. The first was, that bills and notes of the corporation payable on demand should be receivable in all payments to the United States. The second, that no other bank should be established by any future law of the United States during the continuance of the corporation thereby created, for which the faith of the United States was pledged. Constitutionally, it was highly questionable whether Congress had the power to grant such rights. True, the right of the State to coin money, to regulate the value thereof, and to fix the standard of weights and measures, was granted by the constitution to Congress, but it was a stretch of argument to say, that inasmuch as a national bank is an appropriate means for carrying into effect some of the enumerated powers of government, therefore it could create an

¹ The act of incorporation was adopted by Congress and approved by Washington on February 28, 1791. The capital of the Bank was \$10,000,000, and the charter was to expire on March 4, 1811.

institution to issue paper money, and might also bind the hands of Congress at all future time not to establish another Bank. Before the expiry of the charter the expediency of its renewal was greatly discussed, but Congress was divided, and the bill for the purpose was lost. The State Banks which opposed the renewal of the charter thought themselves strong enough and quite adequate to fulfil all the fiscal requirements of the Government and the wants of trade. But the result was very different. With their issues unduly expanded, many of them succumbed, producing great distress, and from 1811 to 1817 the utmost confusion prevailed. On January 17, 1817, the second Bank of the United States was established on a very verge of a great monetary crisis, and very soon after it found itself in a condition of danger from excessive losses. In 1829, however, President Jackson recommended that Congress should take into consideration the constitutional difficulties which might interfere to prevent a re-charter of the Bank, and in 1834 Congress resolved accordingly. After considerable agitation, involving the general subject of the currency, a law was passed in 1832 by both Houses for the renewal of the charter, but the President refused to ratify it. After this the Bank and the State could no longer work together. With the President rested the nomination of five directors. He appointed persons hostile to the management. The Bank and the Government did not work together, and to put an end to the dissension, in 1833, the Bank was ordered to pay all the public deposits into the Treasury, and a decision was arrived at that thenceforth all matters relating to stock belonging to the United States should be managed by the Secretary of the Treasury. The advantages of a national bank were asserted to be, first the issue of a uniform and, as far as paper can, a sound currency, and second, complete security to government in its fiscal operations. But none of these advantages were really rendered by the Bank of the United States, for, on the one hand, the states of the Union never abandoned their rights to charter banks, with the right of issue, and, on the other, neither the financial resources nor the commercial administration of the Bank of the United States were such as to enable it to grant material help to the fiscal operations of the states. The Bank of the United States succeeded in 1835 in obtaining a charter from Pennsylvania, and so continued for a time an ignoble existence, but at last, in 1836, it suspended cash payments.

The removal of the public deposits from the Bank of the United States and their distribution among the different State Banks gave great impetus to the creation of banks all over the country, and consequently to a proportionate extension of the currency. It had been, as we have seen, the uniform practice of the different states of the Union to allow banks to be established for

the issue of notes payable in specie on demand. In cases where the liability of shareholders was to be limited, they were established by an act of the local legislature, but down to a late period banking was, generally speaking, quite free, and all individuals and associations might issue notes, provided they engaged to pay them when presented. Nay, in some states the issuers of notes were entitled even to decline paying their notes on demand, or offer to pay twenty-four per cent. interest to the holders for the period between the refusal to pay and the actual payment. Need we be surprised if, under these circumstances, with no actual obligation to pay in cash, the banks did not scruple to issue their notes *ad libitum*? In 1830 the total amount of notes in circulation was 66 million dollars; in 1834 the amount reached 94 millions; and in 1836 they amounted to 140 millions! At last a crisis came, with its usual concomitants, losses and despair. On July 11, 1836, the Secretary of the Treasury instructed the receiver of public money in the western and south-western states to take nothing in payment for the public lands but gold or silver or notes payable in specie, and this necessitated a restriction of operations. Immediately after a want of confidence was created. The abundance of fancied riches, the wild hopes of unheard-of profits, and all the dreams which a speculative mania is sure to engender, suddenly disappeared, and a crash ensued, when every bank suspended payment. A contraction of notes became then a necessity. But sad was the condition of trade when, with no chance of having gold or silver, the fictitious paper too was disappearing. Then merchants had nothing to pay their debts with. The manufacturers had to suspend their production. The labourer had nothing wherewith to buy his bread. By degrees, of course, matters mended. The delusion incident to an enormous paper circulation, which gave a fictitious value to everything, and stimulated adventure and speculation to an extravagant extent, was succeeded by the substitute of the precious metals and paper redeemable in specie, and thus credit was gradually restored; but the revulsion proved itself conducive to disaster, and no sooner had the crash of 1836 ended than another occurred in 1839, when nearly every bank became again shipwrecked.

That some remedy was required to a state of things so injurious, everyone was convinced. But the Legislature was powerless and no principle was settled. In the state of New York a general banking law was passed in 1838, providing that banking associations should deposit with the comptroller part of or all their capital, and receive from him power to circulate an equal amount of circulating notes. A security fund was organised, to be made by a deposit demanded from all the banks, to meet any loss from the bankruptcy of any banks. But these measures were at best of a partial operation. No check was thought possible to an in-

discriminate issue, and it was in vain that the Secretaries of the Treasury commented severely on the indiscretion of the banks, and on the extreme laxity of their operations. Mr. Webster, one of the most eminent statesmen, held strong opinions on the subject, and would fain have legislated at once upon it. In an able address to Congress he said, 'I hold it to be of the utmost importance to prove, if it can be proved to the satisfaction of the country, that a convertible paper currency may be so guarded as to be secure against probable dangers. I say, sir, a convertible paper currency, for I lay it down as an unquestionable truth, that no paper can be made equal and kept equal to gold and silver but such as is convertible into gold and silver on demand. But I have gone further and still further than this, and I contend that even convertibility, though itself indispensable, is not a certain and unfailing ground of reliance. There is liability to excessive issue of paper while paper is convertible at will. Where, then, shall a regulator be found? What principles of prevention may be relied on? By subjecting all banks to the rule which the most discreet of them always follow, by compelling them to maintain a fixed proportion between specie and circulation, without regard to deposits on one hand or notes payable to bearer on the other.' Mr. Webster, in 1838, held the same views as were propounded in 1844 by Sir Robert Peel, and as were vigorously defended by Lord Overstone before and after that time. Without attempting to take any guarantee for deposits, he held it incumbent on the Legislature to take measures for the protection of the circulation. But Mr. Webster was not supported in his views either in the Legislature or among bankers and financiers, and no attempt whatever was made to introduce any such measure as he foreshadowed. Meanwhile the prosperity of the United States increased apace. In 1830 there were in the United States 880 banking institutions, with an aggregate capital of \$145,000,000, and a circulation of \$61,000,000; whilst the population was 12,000,000, and the total amount of imports and exports was \$144,000,000. After thirty years, not without many occasional relapses, not free from grave blunders and serious failures, the United States, in 1860, possessed 1,562 banking institutions, with a collective capital of \$421,000,000, and a circulation of \$207,000,000; whilst the population increased to 31,000,000, and the aggregate amount of imports and exports was \$762,000,000. In moments of aberration there was gloom indeed on the American horizon, but that gloom became soon eclipsed by the bright lustre of a long course of general prosperity.

CHAPTER XI.

RELATIONS WITH INDIA AND CHINA. THE OPIUM WAR.

Early Means of Communication with India—Privileges of the East India Company.—The Case of Monopolies—Renewal of the Charter—Remonstrances against the Monopoly—Repeal of the Charter—Triumphs of the East India Company—Monopoly of the China Trade—The Hong Merchants—Introduction of Tea.—The Price of Tea—British Relations with China—The Opium Trade—Prohibition of the Use of Opium.—Seizure and Confiscation of Opium, and the Treaty of Nanking

Of all the British possessions, India is doubtless the largest and the most important. Its wide territory, its mighty population, its rich treasures, its gorgeous scenery, and its motley races, all contribute to invest India with a charm sufficient to attract many nations to its shores; whilst its staple productions, its spices and aromatics, its precious stones and wrought silks and cottons, have been held in estimation among all civilised nations. During the Middle Ages the Italian republics were the channel by which the produce of the East found its way to Europe. By means of caravans, and the navigation of rivers, the produce of India found its way to the shores of the Mediterranean, and from the ports of that sea was carried by the traders of Venice and Genoa to the different countries in the North of Europe. But great was the hardship endured in the conveyance of such merchandise. Whichever route was chosen, it was equally difficult and dangerous. Some traders took the way of the Persian Gulf to the cities on the Tigris and Euphrates, regions where Solomon built cities, 'Tadmor in the wilderness, and store cities in Hamath,' making Babylon and Nineveh the Manchester and Birmingham of Mesopotamia; and thence brought their goods, by means of caravans, to cities along the eastern shores of the Mediterranean, enriching in their course Antioch, Palmyra, Tyre, Sidon, and the whole of the seaports of Phœnicia and Palestine. Others went by caravans, through Beloochistan and Persia, to the cities of Syria, and along the shores of the Caspian Sea to the towns on the Euxine. Others went to the north, through China, across the deserts of Tartary, to Moscow and the cities of Central Europe; and others, again, took the way of the Red Sea to cities in Arabia, and in after time to Alexandria in Egypt. We know how extensively the Tyrians traded with India; how they brought into Palestine all sorts of

rarities of blue cloths and brodered work, in chests of rich apparel, bound with gold and made of cedar. That was indeed the age of romance in commercial enterprise, but time changed all this. When Vasco di Gama doubled the Cape of Good Hope, and found a passage by sea to the land of promise, the course of trade was turned into quite another direction. Instead of the plodding Italians came the daring Portuguese and the industrious Dutch, and nation after nation appeared in the field, till the English arrived, who might well say with Waller—

Ours is the harvest where the Indians mow ;
We plough the deep, and reap where others sow.

It was on December 31, 1600, that the East India Company¹ was first incorporated, for fifteen years, with the exclusive privilege of trading to all parts of Asia, Africa, and America, beyond the Cape of Good Hope eastward to the Straits of Magellan; except such countries or ports as may be in the actual possession of any Christian prince in amity with the Queen. The Company was invested with great prerogatives. It had the right to make peace and war, to maintain forces by sea and by land, to make laws, to inflict penalties, to grant exemptions, and to impose customs duties. It was, moreover, allowed to export annually 30,000*l.* of the precious metals, then the principal means of exchange with India, on condition of reimporting an equal amount of the same within six months after the accomplishment of a voyage. The first expedition took place in 1601 with five ships under the command of Lancaster.² They approached Acheen in Sumatra, and thence they sailed to Java, from which place Lancaster sent a ship to Malacca, laden with a rich cargo of spices. He loaded also other ships with other products of India, and came back to England after an absence of two years and a half. The success of the first voyage stimulated many others. But as yet they were undertaken on the personal account of the adventurers, each of whom provided the necessary funds. It was only in 1613 that a social fund of 418,000*l.* was subscribed by the Company in equal shares. By that time the Company had ob-

¹ The Company was constituted 'one bodie corporate and politique in deed, by the name of "The Governour and Company of Merchants of London, trading unto the East Indies."'

² In the first voyage James Lancaster, in 1602, established commercial relations with the King of Acheen, at Priaman in the island of Sumatra, with the Moluccas, and at Bantam, where he settled a factory, or house of trade, in 1603. In 1604 the Company undertook their second voyage, commanded by Sir Henry Middleton, who extended their trade to Banda and Amboyna. Captains Sharpey, Hippon, Saris, and Best were the commanders of subsequent voyages. In 1614 a factory was settled at Suat; in 1616, at Calicut and Cranganore. In the year 1708, when the two companies were united, factories were already established in the Red Sea at Aden and Mocha, in the Persian Gulf and Persia, on the western side of India, on the eastern side of India in Bengal, in the Malay Peninsula, in Sumatra, in Borneo, in Celebes, in the Moluccas, in the China seas, in Japan, and in the Atlantic Ocean.

tained important advantages from the Grand Mogul at Delhi, especially the power to establish a factory at Surat, on the coast of Malabar; and other factories had been established for trading in other localities, without the least intention, however, of constituting them forts or places of strength for territorial conquest. But the Company excited the jealousy of the Dutch and Portuguese, and dissensions and wars were the consequence.

During the civil war in England, the commerce of India was neglected, and the affairs of the Company were much embarrassed; so much so, that in the interregnum Cromwell dissolved the Company, and for three years trade was left free. But the Company was soon reinstated, and, favoured by Fortune's smiles, it became possessed of the island of Bombay, which Charles II. received as a marriage portion from Catherine of Aragon. The great difficulty, however, of the Company was to keep out interlopers, who tried to wrest some portion of the Indian trade from their hands, and for that purpose, when the charter was renewed in 1683, they obtained power to seize any ship and merchandise of such interlopers. The legality of such power was contested by Captain Sandys, however, 'in the case of monopoly,' which ended in favour of the interloper, all monopolies being against common law. Yet the King interdicted Captain Sandys from trading in the East Indies, and so the Company preserved its privileges intact. In 1698 a new company was formed, styled 'The English Company Trading to the East Indies,' and, for a time, two corporations existed, both pretending an exclusive right to trade in the same country; but it was soon found that two companies belonging to the same nation could not carry on the same trade either with profit to themselves or to the benefit of the country. The London Company had besides purchased the greatest part of the shares of the English Company, and thus the whole subject having been referred to Lord Godolphin, the two companies were united in 1702. In progress of time, however, as we have already seen, in consequence of their military exploits, under the leadership of Clive, the Company acquired extensive possessions in India, and thenceforth, without ceasing to be a commercial company trading, the Company became, for all intents and purposes, a state within a state. Partly in consequence of this change, and partly through the financial difficulties in which the Company was involved, a board was appointed in 1780 to control all the operations which in any wise related to the civil or military government or revenue of the territories and possessions of the East India Company.

Ten years after this, previous to the renewal of the charter in 1793, a searching enquiry was instituted into the effect of the monopoly exercised by the Company in the Indian trade; and though the charter was renewed till 1813, power was granted to

private traders to export to India any article of British produce or manufacture, except military stores, ammunition, masts, spars, cordage, pitch, tar, and copper; and the Company's civil servants and free merchants in India were allowed to ship on their own account and risk all kinds of Indian goods, except calicoes, dimities, muslins, and other piece goods; such imports or exports, however, to be in the Company's ships only, the Company appropriating 3,000 tons of shipping for the use of private traders. But the trade continued very limited, although great were the efforts of the Company and greater still the eagerness of private traders to promote it. It was, indeed, evident that so long as the trade was fettered by monopoly the commerce with India could never develop itself to its legitimate proportions.

The charter of the East India Company had been renewed in 1813 for twenty years, when the trade with India was thrown open to individual enterprise,³ but the trade with China and many other branches of the Eastern trade still remained in the monopoly of the East India Company. The British shipowners petitioned for relief, and begged that they might be allowed to compete with foreigners. The London merchants expressed themselves mortified at finding that such a wide commercial field was wholly occupied by foreigners, it being in fact open to foreign and shut to British ships. The Edinburgh Chamber of Commerce petitioned in favour of opening the trade at once; and complaints were made of absolute grievances operating in many ways. As it was, the trade with the territorial possessions of the Company could only be carried on by license from the Company. The trade with the other parts of Southern Asia and the islands of the Indian Ocean could only be carried on by license from the board of control. The trade with China was prohibited to British vessels, unless in the actual employment of the East India Company. The whole trade was confined to ships of a certain amount of tonnage, or to ships of 350 tons and upwards. The trade by license could only be carried on with the presidencies of Bombay, Madras, Calcutta, and the port of Penang. For the trade with Ceylon, Java, and the East India archipelago, a license was wanted. And British ships could not sail from Brazil, or other places in South America, to India without first proceeding to Great Britain. These were evils too glaring to remain long untouched; yet neither the Government, nor the country, could practically do much to remedy them so long as the charter continued in force. The Government sent

³ The effect of throwing the Indian trade open to individual enterprise was that immediately thereafter the amount of private trade with India exceeded that of the East India Company. In 1814 the imports of the East India Company amounted to 4,208,000*l.*, and of the private trade 4,435,000*l.* In 1815 the imports of the East India Company were 3,016,000*l.*, and of private trade 5,119,000*l.*, and so it continued till the disproportion became greater and greater.

a communication on the subject to the East India Company, asking for certain relaxations. They asked that permission might be given for a direct trade from our settlements in India to foreign Europe; that the Company should consent to the article of tea forming part of the return cargoes from India; that the Company should form a *dépôt* for the purchase of tea either at the Prince of Wales's Island, or some place in the Eastern archipelago; that a reservation of China tonnage should be made for the public upon the principle adopted in 1793 with respect to the India tonnage; and that, in order to render these privileges available to the utmost extent, supercargoes should be allowed to proceed to China in the ship in which their adventure was embarked, for the purpose of superintending the sale. But the East India Company turned a deaf ear to all such representations, and no practical change could be made without their consent and concurrence.

The time, however, came when the most successful of all commercial companies, the most powerful of all commercial monopolies, the company which for a century had ruled nearly the whole of the Indian continent, and exercised, moreover, unlimited control over the trade of China, Japan, Siam, and other countries in Asia, containing nearly one-third of the human race, was called upon to renounce for ever its commercial character. The time came when that mercantile career, which had been the source of all other triumphs, and the cause of abundant wealth, had at last to be entirely extinguished; when that monopoly, which had received such universal condemnation, could no longer be sustained, and when the action of the Company was thenceforth, at least for a short time longer, to become exclusively of a political character.⁴ It is needless to advert to the shortcomings of the Company now that it is defunct. Apart from the evil inherent in commercial restrictions and monopolies of any kind, apart from the doubtful policy pursued by the Company towards native rulers, it is impossible to withhold a tribute of admiration to a corporation of merchants who, with less *éclat* and fewer privileges than were conceded to their rival companies in France, Holland, and Portugal, succeeded, by dint of great energy and much practical wis-

⁴ 3 & 4 Wm. IV. c 85 The progress of the trade with India and China during the last twenty years of the monopoly of the East India Company was considerable In 1814 the declared value of British produce and manufactures exported from the United Kingdom to India and China conjointly was 2,113,000*l*. In 1834 the value exported to India alone was 2,576,000*l*., and to China 845,000*l*. From India to China the value of produce and manufacture exported in 1813-14 was 1,324,000*l*; and in 1833-34, 3,559,000*l*. In 1814 there were imported from India and China conjointly 2,850,000 lbs. cotton, 26,000,000 lbs tea, and 1,116,000 lbs silk. In 1834 there were imported from India alone 33,000,000 lbs cotton, and from China 32,000,000 lbs. tea, and 582,000 lbs. silk. The total exports of the three Indian Presidencies in 1834 amounted to 9,674,000*l*.

dom, in overcoming all obstacles, and not only in acquiring the most princely fortunes, but actually in securing for Britain an empire the most splendid and sumptuous which human ambition could ever aspire to possess.

In graphic and eloquent language did Macaulay depict the triumphs of the East India Company, when the great question was discussed in the House of Commons on 'July 10, 1833.' 'In what state did we find India, and what have we made of India? We found society throughout that vast country in a state to which history scarcely furnishes a parallel. The nearest parallel would perhaps be the state of Europe during the fifth century. The Mogul empire in the time of the successors of Aurungzebe, like the Roman empire in the time of the successors of Theodosius, was sinking under the vices of its internal administration, and under the assaults of barbarous invaders. At Delhi, as at Ravenna, there was a mock sovereign or mere pageant, immured in a gorgeous state prison. He was suffered to indulge in every sensual pleasure. He was adored with servile prostration. He assumed and bestowed the most magnificent titles. But, in fact, he was a mere puppet in the hands of some ambitious subject; while the Honori and Augustali of the East, surrounded by their fawning eunuchs, revelled and dozed without knowing or caring what might pass beyond the walls of their palace gardens. The provinces had ceased to respect a government which could neither punish nor protect them. Society was a chaos. Its restless and shifting elements formed themselves every moment into some new combinations, which the next moment dissolved. In the course of a single generation, a hundred dynasties grew up, flourished, decayed, were extinguished, were forgotten. Every adventurer who could muster a troop of horses might aspire to a throne. Every palace was every year the scene of conspiracies, treasons, revolutions, parricides. Meanwhile, a rapid succession of Alarics and Attilas passed over the defenceless empire. A Persian invader penetrated to Delhi, and carried back in triumph the most precious treasures of the House of Tamerlane. The Affghan soon followed, by the same track, to glean whatever the Persian had spared. The Jauts established themselves on the Jumna. The Sikhs devastated Lahore. Every part of India, from Tanjore to the Himalayas, was laid under contribution by the Mahrattas. The people were ground down to the dust by the oppressor without and the oppressor within, by the robber from whom the nabob was unable to protect them, by the nabob who took whatever the robber had left to them. All the evils of despotism and all the evils of anarchy passed at once on that miserable race. They knew nothing of the government but its exactions. Desolation was in their imperial cities, and famine all along the banks of their broad and redundant rivers. It seemed that a few more years would

suffice to efface all traces of the opulence and civilisation of an earlier age. Such was the state of India when the Company began to take part in the disputes of its ephemeral sovereigns. About eighty years have elapsed since we appeared as auxiliaries in a contest between two rival families for the sovereignty of a small corner of the peninsula. From that moment commenced a great and stupendous process, the reconstruction of a decomposed society. Two generations have passed away, and the process is complete. The scattered fragments of the empire of Aurungzebe have been united in an empire stronger and more closely knit together than that which Aurungzebe ruled. The power of the new sovereign penetrates their dominions more completely, and is far more completely obeyed than was that of the proudest princes of the Mogul dynasty.'

Great, however, as were the results of the cessation of the mercantile character of the East India Company upon our relations of trade with India herself, greater still, and even more striking, were the consequences which flowed from the abolition of their exclusive trading with China. From the day when Marco Polo first visited the kingdom of Kathay many were the embassies, and many the overtures, addressed to the Chinese Government for the inauguration of direct relations with Britain and other European states, but all to no effect. The utmost, however, that could be obtained was a kind of clandestine trade through the East India Company.⁵ Was it proper, was it well, that a chartered company should have the sole right to carry on a trade of such vast dimensions? Can monopoly be beneficial at any time? A justification for it was offered, based on the exclusive and peculiar character of the Chinese. It was alleged that a people which had learned to dwell alone for so many centuries, and which was proud of its own civilisation and industry, would have extreme difficulties in first coming into contact with the foreign traders of the West, especially had they acted without any control or supervision. The East India Company, in support of its pretensions to maintain the long-coveted monopoly, asserted that it might have proved a hard problem for the Chinese Government to solve how to deal with the casual and unconnected adventurers who first traded to China—entire strangers to the habits, customs, and languages of the natives, as well as irreconcilably differing from them in respect of national characteristics. And it was assumed that, under such circumstances, the action of a well-regulated com-

⁵ The trade of the United Kingdom and of British subjects with China was by law vested in the East India Company until April 1834. The Russians were excluded from Canton in consequence of the privilege they enjoyed of trading with China overland. The French, the Dutch, the Swedes, and the Danes resorted to Canton, but their trade was very insignificant. The American trade with China increased since 1814, and was popular there in consequence of the large importation of dollars.

pany, acting with honour and prudence, calculated to inspire confidence and encourage intimacy of relations, was of great benefit. But such allegations did not agree with the evidence that the Chinese have always been keen to engage in trade; whilst, as to the advantage of a well-regulated company over private traders, it was greatly neutralised by the fact that the Company had ceased practically to be a purely commercial company, and had acquired all the character of a military power.

As it was, the relations between the East India Company and China continued for a long time trammelled and restricted. The Chinese Government made fitting regulations for the management of trade with foreigners, so as to prevent any evil which might result from their presence. Their permanent residence in China was forbidden. Care was taken that their ships should be disarmed upon their arrival in Chinese waters. And, instead of allowing them to trade with the natives generally, the whole of the foreign trade was specially limited to certain Chinese or 'Hong' merchants, who were required by their license to become jointly and severally responsible to the Government, not only for the duties and charges on their trade with foreigners, but for their orderly behaviour and good conduct. By degrees, and by constant contact, the jealousy of the Chinese towards the East India Company gave way; but the strange combination of the mercantile and warlike character which the Company presented was not likely to allay their fear and to remove their prejudices. Canton was the place where the Hong merchants and the East India Company carried on their dealings. The Canton factory of the Company consisted of twelve supercargoes and eight writers, a surgeon, an assistant, a tea inspector and his deputy; and, for a long time, the practice was to barter British manufactures for tea.

Tea was quite a new article to this country, though the tea plant had been cultivated in China, and even in India, from very remote antiquity. It is not mentioned in the Bible, but an account of it was given by some Arabian travellers who visited China about the year 850 of the present era. When the first Russian ambassador to China was about to depart from the court of the Mogul in 1639, he was offered a quantity of tea as a present to the Czar, but the ambassador declined to receive it, as it would only encumber him with a commodity for which he had no use. The Dutch East India Company were the first to introduce it into Europe, and a small quantity came to England from Holland in 1666. The East India Company thereafter ordered their agent at Bantam to send home small quantities, which they wished to distribute as presents, but its price was 60s. per lb., and it was little thought of. Twenty years elapsed before the Company first decided on importing tea, but by degrees it came into general use. In 1712 the imports of tea were only 156,000 lbs.; in 1750 they

reached 2,300,000 lbs.; in 1800, 24,000,000 lbs.; in 1830, 30,500,000 lbs., and in 1870 141,000,000 lbs.

We paid dearly for our tea under the Company's monopoly. Without any competition to furnish any check, and with no knowledge whatever of the Chinese trade and products, we scarcely knew in this country whether tea was sold at a fair price, or whether the Company was making extortionate gains. Yet a comparison could be made between the prices ruling in England and those on the Continent. Comparing the price of tea sold by the Company in 1828-29 with the prices of the same qualities sold in Hamburg, it was found that we paid an excess of not less than 1,800,000*l.* There were consumed in this country 20,000,000 lbs. of Congou, which were sold by the Company at 2*s.* 4*d.* per lb., whilst the same quality was sold at Hamburg at 1*s.* 2½*d.* per lb., being an excess in charge of 1*s.* 1½*d.* per lb., or 50 per cent.⁶ How was this? What justification was there for such an excess? Did not the law furnish any protection to the public? The act of 1784 prescribed that there should be at least four sales a year, at which there should be put up such quantities of tea as were judged equal to the demand, and that the tea so put up should be sold to the highest bidder offering 1*d.* per lb. beyond the putting up price, which should include the prime cost thereof, freight and charges of importation, interest, and insurance. The Company acted to the letter of this act. But what was the first cost? Not the price at which they purchased the tea from the Hong merchants, but the price of the manufactures which they gave for it, including the cost of all the machinery for conducting the trade, the expense of the Canton factory, and of all the paraphernalia of that concern, with the addition of an extraordinary charge by way of estimating the tael of silver at 6*s.* 4*d.*, while the proper value was only 5*s.* 3*d.* This is what the British nation paid for the Company's monopoly of the China trade, a monopoly not limited to the trade between England and China, but extending also to the trade between India and China; no private merchant being able to send a ship from Calcutta or Bombay to Canton without a license from the Company.

As soon as the monopoly of the East India Company of the trade with China ended, the British Government sought to open direct communication with the Chinese Government, and for that purpose Lord Napier was appointed to proceed to China as Chief

⁶ The import duty on tea was reduced by Mr Pitt in 1784 to 12½ per cent. But the financial exigencies of the war caused a return to the heavy duty of 96 per cent *ad valorem*, at which rate it remained till 1819, when it was raised to 100 per cent. on all tea worth above 2*s.* per lb at the Company's sales. In 1834 the duties were changed to 1*s.* 6*d.*, 2*s.* 2*d.*, and 3*s.*, according to quality. In 1836 the duty was made uniform at 2*s.* 1*d.*, to which 5 per cent was added in 1840, and at that rate it remained till 1850, when Mr. Gladstone reduced it first to 1*s.* 10*d.* and then to 1*s.* 6*d.*

Commissioner. On his arrival, first at Macao and then at Canton, in July 1834, Lord Napier, according to instructions, addressed himself to the Viceroy announcing his arrival. Instead, however, of receiving a cordial reception, he only met with a contemptuous refusal on the part of the Chinese celestials to recognise either his character or his mission. Might not such a reception be ascribed to the fact that, instead of sending a civilian, we sent a military officer, backed by marines and men-of-war? Whatever be the reason, Lord Napier, indignant at the Chinese Government, forthwith requested the superior officer to proceed with the 'Imogene' and 'Andromache' to the anchorage of the trade at Whampoa; but, as the frigates passed the batteries off the Boca Tigris, fire was opened upon them, and thus in an instant we passed from peace to war. Notwithstanding this encounter, the local government of Canton agreed that trade should be re-opened, provided the Chief Commissioner would retire from Whampoa to Macao; and two edicts were published, calling on the English merchants to elect a taepan, or a commercial chief, to control the English shipping, and to prevent smuggling; but no notice was taken of such edicts. Meanwhile, Lord Napier died at Macao, and Mr. Davis, who had long been resident in China, succeeded him. In 1835 Mr. Davis embarked for England, leaving Sir George Robinson as his successor, and for a couple of years nothing occurred to disturb the amicable relations between Britain and China.

A cause, however, of great annoyance and difficulty between the two countries was the smuggling of opium, in open violation of the imperial laws of China. So far as the Indian Government was concerned the opium monopoly was from the first a simple question of revenue. The poppy had been cultivated in India for centuries, and under the Mogul dynasty a considerable revenue was derived from opium. When the subject first attracted the attention of the Bengal Government in 1786, Lord Cornwallis decided that the best method of raising a revenue from opium was by a system of monopoly from the ryots, or native cultivators; and, in order to secure the most effectual supervision and control, the cultivation of the poppy was confined to the provinces of Behar and Benares. China had long been an open market for opium; but the Turkey opium and Malva opium sent from Central India threatened to destroy the revenue of the Indian Government, and therefore in self-preservation it entered into treaties with many independent states for the purpose of controlling the cultivation of the poppy by payment of stipulated sums to the rulers of such states. These treaties lasted till 1830, and after that time the Government ceased to interfere with the culture of the poppy, and for a specified sum granted a pass which secured a free transit to a chest of opium from Malacca to Bombay. What, however,

the Indian Government had not attempted, viz. the smuggling of opium into China, the English merchant vigorously pursued. The first small adventure of the kind was attempted in 1733. In 1780 an opium dépôt was established in Laik's Bay, and soon after a direct shipment was made to Canton, which produced considerable profit. As yet the importation of opium into China was permitted at a fixed duty, and the transaction was therefore only an evasion of the revenue law.

But in 1796, in consequence of the injurious effects of the drug on the health and morals of the people, the Emperor issued a proclamation prohibiting the use of opium, as well as the importation of the same. And finding that the prohibition was constantly set at nought by smugglers, in 1816 an edict was issued imposing penalties upon all foreign vessels which brought opium into the Canton river, and holding the Hong merchants responsible both for the discovery whether any vessel had opium on board and for the due exaction of the penalties. But it made no difference. The opium remained on board the vessels at Whampoa, and thence the smugglers took it in long boats pulling twenty to thirty muffled oars, fully armed and equipped, in defiance of the Mandarin boats placed to watch them. Foiled in its endeavours, the Chinese Government resolved to compel opium ships to retire from Whampoa, but the smugglers retired into the outer waters, where none of the existing laws could take effect upon them, and resorted in the first instance to the anchorage about Macao. Thither, however, the Viceroy followed their movements, and they then retired to Lintin, which became the place of constant resort and permanent anchorage of the foreign vessels connected with the opium traffic. Again, on November 3, 1834, an imperial edict was issued, imposing penalties on those who might take the opium from the ships, on the officers who might be negligent in keeping guard, on those who should take fees for conniving at the breach of the law, and on those who should melt or prepare opium. And the edict threatened a complete stoppage of trade should this smuggling be persisted in; but all was to no effect. On September 9, 1836, another imperial decree was issued, formally prohibiting the opium traffic; and the Viceroy of Canton also issued an order against the continuance of receiving ships in the outer water. But the foreign merchants paid no regard to the edict, and their ships continued at Lintin.⁷ The Hong merchants having reported this to the Viceroy, orders were given to expel such ships; yet they remained in the offing as before, and smuggling continued as ever, though the seizures

⁷ From 1813 to 1819-20 the exports of opium from Bengal only were about 3,000 chests per annum, of the average value of 600,000*l*. From 1820 to 1835-6 the quantities are not known, but the value exported amounted to 1,800,000*l* per annum. In 1836-7 there were exported from India to China 31,375 chests, value 3,934,450*l*. In 1840-1, in consequence of the confiscation, there were exported only 3,948 chests, value 119,422*l*.

increased both in the river and on board the foreign boats. In 1838, however, the boats resisted the search, and, in defiance of all laws, a British merchant was concerned in bringing some opium up to Canton, which was discovered and seized. The Hong merchants interfered, as they were responsible for such infractions of the law; and matters were about to become critical, when, on July 12, 1838, Captain Elliot, the British superintendent of the trade of British subjects in China, accompanied by two ships of war, proceeded to Canton to seek a reception, and forwarded an open letter for transmission to the governor. But no reception was granted, and a British boat having passed the Boca Tigris was fired upon.

A proclamation was then issued to foreigners announcing the arrival of an Imperial Commissioner to put a stop to the opium traffic, and forthwith an edict was issued, demanding the instant delivery of every particle of opium, under threat of immediate forfeiture. The edict was executed to the letter, and Captain Elliot having required of the merchants the surrender into his hands of all the opium, he gave up the whole of it to the Chinese officials, and thus upwards of 20,000 chests of the noxious narcotic were abandoned and lost. But no sooner did one trouble end than another began. In August an affray took place at Macao, between English sailors and Chinese villagers, in which a Chinese was killed. Commissioner Lin demanded that the murderer should be given up, but Captain Elliot refused. And in retaliation the Commissioner prohibited any provision or other articles to be supplied to the British at Macao; in consequence of which the superintendent left Macao, and invited all who wished to quit the place to follow him. Further complications afterwards arose, and in the end a war arose, which was concluded by the treaty of Nanking on August 29, 1842, by which British subjects were allowed to trade at Canton, Amoy, Foochowfoo, Ningpo, and Shanghai, Hong Kong was ceded to Britain, the value of the opium confiscated, six million dollars, was repaid, the monopoly of the Hong merchants abolished, and three million dollars due by them repaid, and an indemnity of twelve million dollars agreed to be paid between 1843 and 1845.

CHAPTER XII.

THE COLONIAL TRADE.

Colonial Legislation.—Customs Duties in the Colonies —The Sugar Duties —
Differential Duties —Free and Slave Labour.—Consumption of Slave-
grown Produce

THERE remained much to be done as regards colonial legislation. Although Mr. Huskisson intended that there should be an open trade between the colonies and foreign countries, he did not enact this by positive legislation. He only gave power to the Crown to adopt open trade with any country willing to meet us on equitable terms; and, in consequence of this measure, the Crown entered into treaties with foreign powers with respect to the navigation laws. But this reciprocity principle was after all of limited application. Many countries had no advantages to offer us in exchange. Many were shut up in their own mistaken views of commercial policy; and with all these the commerce of the colonies was hermetically shut. Was it wise to cripple our own trade, or the trade of our colonies, because foreign countries chose to cripple theirs? There was an obvious fallacy in the reciprocity principle. It seemed indeed plausible, and even reasonable, but it did not stand the test of scrutiny. Its advocates said: 'We are friends to free trade; we grant all the benefit which you tell us will arise from an unrestricted interchange of commodities between different nations; we agree to all your reasoning; but, in order that there should be a free interchange, it is necessary that the removal of our restricted regulations should be met by corresponding measures on the part of other nations. If this be not the case, we are giving away the advantage we possess of supplying at least ourselves with our own productions; we throw open our ports to receive the produce of the industry of foreign countries, whilst they shut their gates to ours, and we destroy our national industry in those articles in the production of which foreigners excel us without their becoming in their turn customers of ours.' As Mr. Poulett Thompson observed, however, 'the fallacy of this reasoning lies in this: these gentlemen misunderstand the nature of trade. In order to buy we must also sell. We may open our ports to the silks and wines of France, to the corn of Germany and Russia, to the drugs of Asia and of India; but we can get no pound's

worth of any commodity without giving in return a pound's worth of our own productions. Our manufacturers will give away nothing; they will not send their goods to foreign ports without getting an equivalent in return; and I will venture to say that the producers of foreign commodities of French silks, of German cloth, with which, according to these gentlemen, this country has been and will be overwhelmed, are as little likely to make a present to the British consumer of their hard-worked produce without taking in return the staple articles of this country.' Unfortunately, while we were discussing the point the colonies were suffering. But there was another colonial grievance which also demanded correction.

Some of our British colonies, especially the West Indies and Canada, had a customs legislation framed exclusively for the interest of the mother country. No article was more important to the West Indies for ordinary consumption than fish, yet no fish was allowed to be imported except the produce of our fisheries. Lumber, staves, and other articles necessary for manufactures, as well as flour and provisions, were charged the immoderate rates of 30 to 40 per cent., and foreign manufactures had to pay a duty of from 20 to 30 per cent. Not only, therefore, were many colonies precluded from having direct relations with foreign countries, but they had to pay for such goods as they received a high and heavy tax to benefit the manufacturers of Great Britain. Nor was there any uniformity in the levying of such duties. Whilst the West Indies and Canada charged from 30 to 40 per cent., the Cape of Good Hope and New South Wales charged only from 3 to 10 per cent. It was reserved for Mr. Labouchere, in 1841, to effect a great reform by doing away with all prohibitions, and reducing the duties to very moderate amounts. In introducing his measure, Mr. Labouchere justly said, 'We have to legislate for a great empire, whose interests are deeply affected by the trade regulations which we lay down; and it is important that the empire should know that the spirit in which we legislate for it is not a feeling of narrow jealousy, watching only the peculiar interests of those whom we represent, but a wide and comprehensive desire to confer equal benefit on all parts of the empire, and on all the various classes of its multifarious people. I cannot forget that it is by perseverance in a system of monopoly and exclusion that other great colonial empires have fallen to pieces. A great colonial empire is indeed glorious, but it is at least uncertain; and the only way in which colonial possessions are to be kept together is by acting towards them all in a spirit of equal and impartial justice, treating them all with parental kindness, not allowing any favourite in the family, and considering their greatness and their prosperity and happiness; our prosperity and happiness' The proposals of the Government did not meet with much opposition,

and thus another great advance was made in the adoption of a just policy towards the colonies.¹

Another important measure connected with the colonies was the equalisation of the sugar duties. In 1836 the duties on East and West India sugar were already equalised, but not so the duties on colonial and foreign sugar. It was only during the reign of King James that sugar was specially mentioned in our tariff, and for a long time the importation was unimportant. At the commencement of the present century the quantity imported was 4,000,000 cwt., and during the whole period of the war, from 1801 to 1814, the average consumption in the United Kingdom was only 18 lbs. 7 oz. for each individual, the average rate of duty being 26s. 2d. per cwt. After the war, the social condition of the people being far from satisfactory, the consumption somewhat lessened, whilst our policy of excluding all foreign-grown sugar, and especially slave-grown sugar, by a prohibitory duty of 3l. 3s. per cwt., rendered any chance of improvement morally impossible. A differential duty was also imposed upon Mauritius and East India sugar, which continued till 1825 as regards Mauritius, and till 1836 as regards the East India. In 1840 Mr. Ewart moved that all British sugar should be charged a duty of 24s., and all foreign sugar a duty of 34s. per cwt., but the motion was lost by 27 to 122. On May 7, 1841, Lord John Russell described the condition of the British West Indies after the abolition of slavery, and showed how, after a momentary state of suspense, those colonies had already returned to a state of prosperity. He described the distress which existed in the manufacturing districts; a considerable portion of the working population of the country being unable to enjoy the ordinary necessaries and comforts of life. The revenue was, moreover, declining. The taxes were not producing as much as was required; and he moved that, 'Considering that it is practicable to supply the present inadequacy of the revenue to meet the expenditure of the country by a judicious alteration of protective and differential duties without any material increase in the public burdens, such a course will, in the opinion of the House, promote the interests of trade, afford relief to the industrious classes, and is best calculated to provide for the maintenance of public faith and the general welfare of the people.' But a strenuous opposition was made to the proposal, not only by the advocates of a restrictive policy, but by those who had been the earnest advocates of the abolition of slavery. Sir Robert Peel and Mr. Gladstone led the opposition; and Lord Sandon proposed the amendment, 'That, considering the efforts and sacrifices which Parliament and the country have made for the abolition of the slave trade and slavery, with the earnest hope that their exertions and example might lead to the mitigation and final extinction of those evils in other coun-

¹ 1 & 2 Vict. c. 113

tries, this House is not prepared, especially with the present prospect of the supply of sugar from British possessions, to adopt the measure proposed by her Majesty's Government for the reduction of duty on foreign sugar.' For eight nights did the Commons debate this important question, and the issue was the defeat of Lord John Russell's motion by 281 to 317. Immediately after, Sir Robert Peel moved a vote of want of confidence in the Ministry, and, after another five nights' struggle, it was carried by 312 to 311, the majority of one thus ousting the Liberal Cabinet.

Though the effort for the equalisation of the sugar duties had been defeated, it was soon afterwards renewed. In 1842 Mr. Labouchere moved that colonial sugar be charged 20s., and foreign sugar 30s., and the motion was lost by 164 to 245. In 1843 Mr. Hawes proposed a differential duty of 10s., and he lost his motion by 122 to 203. In March 1844 the member for Taunton proposed the admission of Brazilian sugar at the same duty as colonial, and he again lost the motion by 132 to 205. And in June 1844 Lord John Russell's motion for a duty of 24s. on British sugar, and 34s. on foreign, was lost by a majority of 69. In that year, however, the first inroad was made on the exclusion of foreign sugar by making a distinction between sugar the growth of China, Java, or Manilla, or of any other foreign countries which her Majesty in Council shall have declared to be admissible as not being the produce of slave-labour, and other foreign sugar, Lord John Russell insisting upon making no such distinction, but placing the produce of all countries on an equal footing.

In 1845 Sir Robert Peel introduced his measure on the sugar duty, proposing to reduce the duty on British West India, Mauritius, and East India sugar from 1*l.* 5*s.* to 16*s.* and 14*s.* per cwt. according to quality, foreign free-labour from 3*l.* 3*s.* to 1*l.* 8*s.* and 1*l.* 3*s.* 4*d.*, and other foreign sugar from 3*l.* 6*s.* 1½*d.* to 3*l.* 3*s.* And again Lord John Russell moved as an amendment, 'That it is the opinion of this House that the plan proposed by her Majesty's Government in reference to the sugar duties professes to keep up a distinction between foreign free-labour and foreign slave-labour sugar, which is impracticable and illusory; and, without adequate benefit to the consumer, tends so greatly to impair the revenue, as to render the removal of the income and property tax at the end of three years extremely uncertain and improbable' The amendment, however, was lost by 94 to 236. Again in July 1845 Viscount Palmerston moved for an address to the Crown, praying that 'Spanish subjects be permitted to import into the United Kingdom all the productions of the territories of the Spanish Crown, paying thereupon no higher duty or customs than those which are paid by the subjects or citizens of the most favoured nations on the production of like articles being the productions of the territories or possessions of such nations;'

and he lost the motion by 87 to 175. And so the differential duty continued till, in August 1846, Lord John Russell reduced the duty on slave-labour sugar from 3*l.* 3*s.* to 2*l.* 2*s.*, and in 1848 finally equalised the duties on all free and slave labour sugars. The results of these reforms in the sugar duties will hereafter appear in an immense increase in the consumption of sugar, in a great expansion of the revenue, and more especially in an increased trade with all sugar-producing countries. A great change indeed took place in this branch of industry; and another proof was afforded of the soundness of the doctrine that high duties are injurious rather than beneficial to the revenue, by checking the consumption and restricting the commerce of the country.

An interesting moral problem was before the Legislature in this discussion on sugar duties. Slavery was a great wrong, a crying evil, and the nation cheerfully paid twenty millions to get rid of it in all the colonies. Treaties had been concluded with foreign countries for the extinction of the slave trade, and a fleet of vessels was being maintained at great expense, to prevent the carrying of slaves. Should we, in the face of all this, open the British market to the slave produce of Cuba and Brazil, and thus undo with one hand what we did with the other? No, said the West India planter, interested in his monopoly. Certainly not, said the philanthropic abolitionist. But there was no evidence to show that the prohibition of the importation of foreign sugar into the United Kingdom had operated to the discouragement of slavery in the sugar-producing colonies. We were, moreover, receiving thankfully any quantity of cotton, and had no objection to the importation of tobacco, from the United States of America, which were also the produce of slave labour, whilst all the while we were narrowing the supply of one of the necessities of life to the masses of the people, which they could ill spare. This was indeed demanding a sacrifice too great for an object of doubtful utility, and the differential duties had eventually to be abandoned.² Years had to pass before slavery was abolished by Spain and Portugal, and before the smuggling of slaves from Africa was effectually suppressed. But a higher restraint than prohibitions or high duties was the verdict of the world against the institution of slavery. Whatever be the interest at stake, no civilised nation can with impunity act in opposition to the moral sense of mankind, or the dictates of religion and humanity.

² The sugar duties have been subjected to great changes. After the equalisation of duties on slave-labour and free-labour sugar, a distinction was introduced in 1845 between sugar equal to white clayed and not equal to white clayed, the rates varying also according to the countries whence sugar was imported. In 1854 this further distinction was abolished, and after other changes, from May 2, 1870, the duties have been established at 5*s.* 8*d.* for unrefined first class, 5*s.* 3*d.* for second class, 4*s.* 9*d.* for third class, 4*s.* per cwt for fourth class, including juice; 1*s.* 9*d.* for molasses, and 6*s.* per cwt for sugar refined and candy. Finally, from June 25, 1874, all kinds of sugar were admitted into the United Kingdom, duty free.

CHAPTER XIII.

POSTAL REFORMS.

State of Postage in 1839 — Introduction of the Penny Postage — Principles of Sir Rowland Hill's Reform — Financial Results — Formation of a Postal Union — Increase of Correspondence in the United Kingdom.

PROMINENT among the internal reforms introduced in modern times stands the simple contrivance known as the penny postage, which so greatly facilitated intercourse with the most distant parts, cemented the bonds of family relationship, promoted the diffusion of knowledge, strengthened the cords of national life, and contributed in a wonderful manner to unity of political feeling throughout the country. It was indeed a great reform. Before its introduction the lowest general post rate was fourpence, and even when the twopenny post was adopted that rate was only for the conveyance of a single letter from any post office in Great Britain to any place not more than eighty miles off, increasing according to distance, so that a letter from London to Edinburgh was charged 13*d*. In Ireland the postage rate was somewhat different, and between Great Britain and Ireland higher rates were charged. The general average charge on all single letters conveyed by the general post was between 7*d*. and 7½*d*. We may well imagine what a check this high rate imposed on general intercourse, how unwilling the people were to write except in cases of absolute necessity, and in how many ways the high postage was evaded. The flanking of letters had been greatly abused, it being quite common for members of Parliament to sign a large packet of covers at once and to supply them to friends in large quantities. These were sometimes sold, and often given to servants in lieu of wages. And the smuggling of letters was very prevalent. The high rate of postage not only hindered social and commercial intercourse, but greatly injured the revenue, which for many years had remained quite stationary. It was under such circumstances that Mr. (afterwards Sir) Rowland Hill set himself to study the postal system, and propounded his popular scheme of a uniform penny postage. As he analysed the cost of conveying a letter through the post office, Sir Rowland Hill found it to consist, first, of the expense of receiving and preparing the letter for the journey, and taxing each letter with a

distinct rate of postage ; secondly, of the cost of transit from post office to post office ; and thirdly, of the expense of delivering the letters ; whilst the rate of postage was made to depend entirely on the distance, which constituted, in reality, but a small fraction of the cost. It seemed natural to charge more for a letter from London to Edinburgh than for one from London to Bristol, but in reality the greater distance made no material difference in the cost. The great expense arose from the difficulty of weighing each letter, detecting the slightest enclosure, and receiving the charge on delivery. Diminish these and a uniform rate becomes practicable. Hence the happy idea of a uniform penny postage for all letters, on condition of the prepayment of letters by stamped labels. The suggestion was the result of careful thought and study, and experience proved that the calculation was based on solid foundations.

No sooner was the project made public than it attracted great and hearty support. Petition upon petition were presented to Parliament in favour of the scheme. Lord Brougham, who at once seized on the proposal, reminded the Lords of the reception given in 1784 to the postal reforms suggested by Mr. Palmer. Pressure was exercised from all quarters on the Post Office authorities for the adoption of the penny postage. They, however, were hostile to any experiment in that direction, and again and again replied that it was inexpedient and impossible. But a reform so needful and beneficent was not allowed to be stifled by the objections advanced by the officers of the Post Office, and in a short time from its first promulgation Sir Rowland Hill's plan was carried into effect. By it many important organic improvements were introduced, among which a large reduction in the rate of postage ; the adoption of the charge by weight abolishing the charge for mere enclosures ; the prepayment of correspondence ; the simplification of the mechanism and accounts of the department ; the establishment of a book post ; increased security of valuable letters by reducing the registration fee ; great extension of the money order system ; more frequent and more rapid communication between the metropolis and the larger provincial towns ; a vast extension of rural deliveries ; a great extension of free deliveries ; greatly increased facilities for the transmission of foreign and colonial correspondence ; a more speedy despatch of letters when posted ; a more prompt delivery on arrival ; and the division of London and its suburbs into ten postal districts. Into the practical results of the scheme, financially as well as socially, it is needless to enter. Its success has far exceeded all anticipations. Sir Rowland Hill calculated that the number of letters would increase fivefold, that the gross revenue would continue at about the same amount, and that the net revenue would suffer a loss of about 300,000*l*. The results showed that

the letters in a very short time increased not five, but eight or ten fold; that the gross revenue, instead of remaining the same, increased more than a million and a half; and that the net revenue, instead of diminishing by 300,000*l.*, rose more than 400,000*l.* The plan was in every aspect a remarkable one, and not only England but the world owes a deep debt of gratitude to the great originator of the penny postage.

The progress of the penny postage at home and abroad affords a remarkable illustration of the ready acceptance of any beneficial reform, and of the harmonious co-operation now afforded by all civilised states in the advancement of whatever will contribute to the common good. No sooner was the penny postage successfully introduced in this country, than colony after colony, and state after state, adopted similar measures, and in nearly every instance the Post Office revenue was greater at the reduced rate of postage than it was when the rate was considerably higher; the crowning point of the system being the postal union, concluded in 1874 and renewed in 1878. The parties to that union were Great Britain and the British Colonies and British India, the Argentine Republic, Austria and Hungary, Belgium, Brazil, Denmark and Danish colonies, Egypt, Germany, France and French colonies, Greece, Italy, Japan, Luxemburg, Mexico, Montenegro, Norway, Netherlands and the Dutch colonies, Peru, Persia, Portugal and Portuguese colonies, Roumania, Russia, Salvador, Servia, Spain and Spanish colonies, Switzerland, Sweden, and Turkey.

The effect of the penny postage and of the increase of commerce on British correspondence may be gathered from the following number of chargeable letters delivered in the United Kingdom.

Years	Estimated Number of Letters (,000,000 omitted)	Number of Letters per 100 of Population
1839	No of letters . . . 76 }	313
	franks . . . 6 }	
1840	letters . . . 169	713
1850	” ” . . . 347	1,260
1860	” ” . . . 564	1,960
1870	” ” . . . 847	2,714
1878	” ” . . . 1,097	3,237

CHAPTER XIV.

COMMERCIAL AND ECONOMIC PROGRESS, 1830-1840

Opening of the Trade of India—Effect of Commercial Crises on Prices—
Increase of Population—State of Finances—Poor Relief and Savings
Banks—Treaties of Commerce—Progress of Science—Progress of Trade

THE previous decennium ended with trade much depressed, with wages reduced, and with great distress in the agricultural districts, and no improvement was experienced till 1833, when an abundant crop of wheat, cheapness of provisions, and a consequent extension of trade combined to impart a general revival. In that year also the trade with China, hitherto a monopoly of the East India Company, was open to all British subjects, and much was expected from the opening of Asia as a large outlet for British merchandise. In 1834-6 several large railways were constructed, notably the Great Western, the Eastern Counties, the Great North of England, and the Midland Counties. Several foreign loans were also contracted, and accounts came of excessive overtrading in America. Hence the panic of 1836, and with it a ruinous fall of prices and enormous losses. According to a table compiled by Mr. Porter, of the Board of Trade, of the comparative prices of fifty articles at the beginning of each year, taking 1·000 to be the prices in January 1833, in the month of September the prices of those fifty articles attained their lowest point. In August 1836 they were 1·3460. In September 1837 they fell to 1·1321. How far the rise and subsequent fall of prices were produced or influenced by the state of the circulation is a subject of great controversy among economists. Similar calculations have since then been made by leading economists, in order to ascertain the existence of any general cause influencing all prices and wages at the same time, such as the fall or rise of the value of gold. The difficulty, however, of arriving at any conclusive result by such a method is great, from the variety of causes influencing each article specially. There may, indeed, be a concurrence of circumstances affecting the prices of each of the several articles, as well as the value of labour, at certain times, and we must take these into account before we can establish that, apart from them, any great operating cause influenced them all. Time, moreover, is an

element of great importance. It is only after the lapse of years, when the influences which may affect any description of value can be safely said to be exhausted, that it is possible to determine whether or not any one extraneous cause has produced the rise or fall of prices and wages generally. The transient panic ended in 1836, matters improved somewhat in 1837, but another crisis in the United States in 1839 reacted powerfully on this country and the decennium closed with trade languid and depressed.

The population of the United Kingdom in the ten years from 1831 to 1841 increased as follows :—

—	1831	1841	Increase per Cent
England and Wales	14,052,000	16,035,000	14
Scotland	2,406,000	2,652,000	10
Ireland	7,828,000	8,244,000	5
Islands on the British sea	106,000	126,000	17
	24,392 000	27,057,000	10 9

Within the ten years the population of London and eleven other principal towns increased as follows :—

—	1831	1841	Increase per Cent
London	1,655,000	1,948,000	17
Birmingham	114,000	183,000	27
Bradford	43,000	67,000	55
Bristol	104,000	125,000	20
Glasgow	193,000	261,000	35
Leeds	125,000	152,000	21
Liverpool with West Derby	206,000	294,000	42
Manchester and Salford	233,000	299,000	29
Newcastle	54,000	70,000	29
Nottingham	50,000	52,000	3
Sheffield	92,000	111,000	20
Wolverhampton	25,000	36,000	42

The revenue from 1831 to 1840 was moderate, ranging from 54,518,000*l.* maximum in 1831 to 50,492,000*l.* minimum in 1836. And the expenditure was rather below the revenue except in 1836, when 16,721,000*l.* was paid in compensation to slave-owners.

The sum expended for relief of the poor was greatly reduced by the operation of the act of 1834 for the amendment and better administration of the laws relating to the poor. In 1832 the amount so expended was 7,037,000*l.* In 1837 the amount was reduced to 4,044,841*l.* And the number of depositors and amount of deposits at the savings banks in the United Kingdom increased from 429,503 depositors, having together 13,719,495*l.* of deposits,

in 1831, to 798,055 depositors, having together 23,471,050*l.*, in 1840.

With the introduction of the London Joint Stock Banks another datum was furnished for estimating the accumulation of capital in the United Kingdom. The amount of their deposits increased as follows :—

	London and Westminster £	London Joint Stock £	Union Bank £	London and County £	Total £
1835	266,884	—	—	—	—
1840	1,361,545	1,170,893	377,755	437,995	3,348,188

Treaties of commerce and navigation were concluded during this period with Frankfort on May 13, 1832; Venezuela on October 29, 1834; Peru, Bolivia, on June 5, 1837; Greece on October 4, 1837; Austria on July 3, 1838; Turkey on August 16, 1838; Bolivia on September 29, 1840.

An important consequence of the war with China was the passing of an act in 1833 authorising the establishment in China of superintendents of the trade of British subjects to and from that country, for the purpose of protecting and promoting the same, with power to make and issue directions and regulations touching the said trade, and for the government of British subjects, and also to create a court of justice, with criminal and admiralty jurisdiction, for the trial of offences committed by British subjects within the dominion of China and the ports and havens thereof.

The period under consideration is remarkable for the introduction of the electric telegraph patented by Cooke and Wheatstone in 1837, and in the same year by Professor Morse, of the United States of America. In 1831 the British Association for the Advancement of Science was formed, and the Statistical Society in 1834. The Entomological Society was formed in 1833, the Royal Botanical Society in 1836, the Royal Institute of British Architects in 1834, and the Royal Geographical Society in 1831. In 1832 Mr. Brindley, of Birmingham, obtained a patent for producing papier-mâché articles by pressure between dies, either in wet sheets or in the form of pulp. In the same year cylinder or sheet glass was first introduced by Messrs. Chance and Hartley. And in 1839 the penny postage was introduced by Sir Rowland Hill, which did so much to expand commerce and industry, and to foster sentiments of affection between distant members of the human family.

PROGRESS OF BRITISH COMMERCE.

(,000 omitted)

—	1830	1835	Per Cent in 5 Years		1840	Per Cent in 5 Years		Per Cent in 10 Years	
			Increase	Decrease		Increase	Decrease	Increase	Decrease
Imports of raw materials									
Cotton wool, lbs	263,961	363,702	31	—	592,488	63	—	124	—
Wool, sheep's	32,305	42,173	31	—	49,436	17	—	53	—
Flax, cwts.	944	740	—	21	1,253	69	—	32	—
Silk, lbs	4,693	5,373	14	—	4,054	—	32	—	13
Exports of British produce and manufacture									
Cotton manufacture	£ 15,294	£ 16,421	7	—	£ 17,567	6	—	14	—
„ yarn	4,184	5,706	37	—	7,101	24	—	71	—
Woolen manufacture	4,728	6,840	44	—	5,727	—	17	—	21
„ yarn	—	309	—	—	453	16	—	—	—
Silk manufacture	521	973	86	—	755	—	22	44	—
„ yarn	—	—	—	—	—	—	—	—	—
Linen manufacture	2,066	2,982	44	—	3,306	10	—	60	—
„ yarn	—	217	—	—	823	279	—	—	—
Hardware	—	1,833	—	—	1,349	—	26	—	—
Machinery	209	307	46	—	594	93	—	184	—
Iron and steel	1,410	1,643	16	—	2,524	51	—	79	—
Coal	184	245	33	—	377	115	—	213	—
Earthenware	442	540	22	—	573	6	—	29	—
Total declared value of exports									
British produce and manu- factures	£ 38,271	£ 47,372	23	—	£ 51,309	8	—	34	—
Distribution of exports.									
Northern Europe ¹	£ 1,712	£ 2,345	19	—	£ 2,000	—	2	19	—
Central „ „ ²	6,664	8,258	24	—	9,923	20	—	48	—
Western „ „ ³	2,587	4,130	59	—	5,226	26	—	102	—
Southern „ „ ⁴	3,997	2,670	—	23	2,941	10	—	—	16
United States of America ⁵	6,132	10,568	72	—	5,283	—	50	—	13
British North America ⁶	1,857	2,158	16	—	2,848	32	—	53	—
British West Indies ⁷ . .	2,838	3,188	13	—	3,575	12	—	26	—
British India, &c. ⁸ . . .	4,139	3,192	—	22	6,023	88	—	45	—
Australia, &c. ⁹	316	699	121	—	2,051	193	—	549	—
Imports of articles of food and drink									
Grain and Flour, cwts. . .	9,012	1,080	—	81	15,258	1312	—	69	—
Tea, lbs	31,897	44,300	39	—	28,021	—	36	—	—
Sugar, cwts.	4,916	4,448	—	9	4,036	9	—	—	17
Tonnage of British and foreign vessels entered and cleared.									
British	4,282	4,863	13	—	6,490	33	—	51	—
Foreign	1,516	1,772	16	—	2,949	66	—	94	—
Total	5,798	6,635	14	—	9,439	42	—	62	—
Tonnage of shipping belonging to the United Kingdom									
Sailing	2,201	2,360	7	—	2,680	13	—	21	—
Steam	—	—	—	—	88	—	—	—	—
Total	—	—	—	—	2,768	17	—	25	—

¹ Russia, Sweden, Norway, Denmark, Heligoland² Germany, Holland, and Belgium.³ France, Portugal with Azores, Madeira, &c. and Spain with Gibraltar⁴ Italy, Austria, Greece, Ionian Islands, Malta, and Canaries⁵ United States of America⁶ British North America.⁷ British West Indies, with British Guiana and Honduras⁸ British India, Ceylon, and Singapore⁹ Australian colonies and New Zealand.

REVENUE AND EXPENDITURE OF THE UNITED KINGDOM.

(,000 omitted)

Year ended January 5	Revenue	Expenditure	Year ended January 5	Revenue	Expenditure
	£	£		£	£
1821	59,892	58,428	1831	54,518	51,946
1822	61,612	58,428	1832	50,627	51,472
1823	59,870	56,493	1833	51,166	50,590
1824	58,624	51,303	1834	50,263	48,786
1825	59,763	55,458	1835	50,492	48,903
1826	57,801	54,098	1836	50,067	65,172 ¹
1827	55,308	56,084	1837	52,683	53,989
1828	54,778	55,943	1838	50,419	51,145
1829	56,605	53,463	1839	51,310	51,651
1830	55,368	53,710	1840	51,850	53,381

¹ Compensation to slave owners in West Indies and Barbadoes, 16,721,346l

TRADE OF THE UNITED KINGDOM

Year	Imports Official Value	Exports Real Value	Year	Imports Official Value	Exports Real Value
	£	£		£	£
1821	30,837	36,655	1831	49,728	37,164
1822	30,531	36,966	1832	44,611	36,450
1823	35,798	35,357	1833	45,944	39,667
1824	37,468	35,422	1834	49,365	41,649
1825	44,209	38,870	1835	49,029	47,372
1826	37,814	31,537	1836	57,296	53,294
1827	44,908	37,181	1837	54,762	42,069
1828	45,167	36,813	1838	61,258	50,062
1829	43,995	35,842	1839	62,048	53,234
1830	46,300	38,272	1840	67,493	51,405

TONNAGE OF SHIPPING BELONGING TO THE UNITED KINGDOM.

Year	Tons	Year	Tons
1821 . .	2,056	1831 . .	2,284
1822 . .	2,315	1832 . .	2,262
1823 . .	2,302	1833 . .	2,271
1824 . .	2,348	1834 . .	2,312
1825 . .	2,329	1835 . .	2,360
1826 . .	2,411	1836 . .	2,350
1827 . .	2,181	1837 . .	2,333
1828 . .	2,193	1838 . .	2,421
1829 . .	2,200	1839 . .	2,401
1830 . .	2,201	1840 . .	2,584

AVERAGE PRICE OF WHEAT PER IMPERIAL QUARTER.

Year	s	d	Year	s	d
1821 . .	56	1	1831 . .	66	4
1822 . .	44	7	1832 . .	58	8
1823 . .	53	4	1833 . .	52	11
1824 . .	63	11	1834 . .	46	2
1825 . .	68	6	1835 . .	39	4
1826 . .	58	8	1836 . .	48	6
1827 . .	58	6	1837 . .	55	10
1828 . .	60	5	1838 . .	64	7
1829 . .	66	3	1839 . .	70	8
1830 . .	64	3	1840 . .	66	4

PART IV.

1842-1860.

FROM SIR ROBERT PEEL'S ADMINISTRATION TO THE COMMERCIAL CRISIS OF 1857.

- CHAPTER I SIR ROBERT PEEL'S COMMERCIAL REFORMS.
- „ II. THE BANK CHARTER ACTS.
 - „ III ON SCOTCH AND IRISH BANKING
 - „ IV REPEAL OF THE CORN AND NAVIGATION LAWS
 - „ V RAILWAY ENTERPRISE.
 - „ VI THE COMMERCIAL CRISIS OF 1847.
 - „ VII COMMERCIAL AND ECONOMIC PROGRESS, 1840-1850.
 - „ VIII INTERNATIONAL EXHIBITIONS.
 - „ IX THE GOLD DISCOVERIES IN CALIFORNIA AND AUSTRALIA
 - „ X CHAMBERS OF COMMERCE AND COMMERCIAL LAWS.
 - „ XI PARTNERSHIPS AND JOINT STOCK COMPANIES
 - „ XII. PATENTS, COPYRIGHT, AND TRADE MARKS
 - „ XIII. COMMERCIAL LAW REFORMS.
 - „ XIV MR. GLADSTONE'S BUDGET.
 - „ XV THE RUSSIAN WAR.
 - „ XVI. TRADE WITH CHINA.
 - „ XVII. TRADE WITH JAPAN AND SIAM
 - „ XVIII THE COMMERCIAL CRISIS OF 1857.
 - „ XIX. COMMERCIAL AND ECONOMIC PROGRESS, 1850-1860

CHAPTER I.

SIR ROBERT PEEĀ'S COMMERCIAL REFORMS.

Accession of Sir Robert Peel—Inauguration of Economic Reforms.—The Corn Laws.—State of the Revenue and Expenditure—The British Tariff—The Income Tax—More Commercial Reforms—Reciprocity of Foreign Countries—Export of Machinery

THE day arrived when the government of the country had to be confided to the great Conservative party in the House. For some time past the administration of Lord Melbourne had shown unmistakable signs of inherent weakness, and its opponents, counting among them such men as Sir Robert Peel, Lord Stanley, Mr. Gladstone, and Mr. Disraeli, were decidedly gaining strength and influence. The Conservative party has been charged with thwarting and opposing the liberal tendencies of the nation, and they certainly resisted the passing of the Reform Bill, the repeal of the Test and Corporation Acts, and the emancipation of Roman Catholics. Yet a memorable Conservative administration is before us, which inaugurated an era of great prosperity, and one which, under the presiding genius of Sir Robert Peel, has ever since been held in grateful remembrance for the practical wisdom which it displayed, and the bold and vigorous commercial and financial policy it carried into effect. Sir Robert Peel had already gained for himself a high reputation as a statesman.¹ As a member of the Bullion Committee of 1810, as Under-Secretary for the Colonies during the most trying years of the Continental war, as Secretary for Ireland, in all these capacities, he proved himself an able minister and an economist of much practical wisdom; and it was a good omen for the country when, in September 1841, at a time of much financial anxiety, Sir Robert Peel was once more called to take the helm of the state.

There was something novel and encouraging in the speech from the Throne which opened the labours of the new administration. ‘Her Majesty is anxious that this object, viz. the

¹ Sir Robert Peel's first administration was a short one. He formed his Cabinet on December 9, 1834, and forthwith dissolved Parliament. A new Parliament was summoned to meet on February 19, 1835, but an amendment to the address was carried in the House of Commons on February 26 by a majority of 309 to 302. Other adverse divisions immediately thereafter took place, and Sir Robert Peel announced his resignation of the ministry on April 8.

increase of the public revenue, should be effected in the manner least burdensome to her people; and it has appeared to her Majesty, after full deliberation, that you may at this juncture properly direct your attention to the revision of duties affecting the productions of foreign countries. It will be for you to consider, whether some of the duties are not so trifling in amount as to be unproductive to the revenue, while they are vexatious to commerce. You may further examine whether the principle of prohibition, in which others of these duties are founded, be not carried to an extent injurious alike to the income of the state and the interest of the people. Her Majesty is desirous that you should consider the laws which regulate the trade in corn. It will be for you to determine whether those laws do not aggravate the natural fluctuation of supply, whether they do not embarrass trade, derange currency, and by their operation diminish the comfort and increase the privations of the great body of the community.' Surely this was a programme more liberal than could have been expected from a Conservative ministry; but the temper of the people and the exigencies of the time demanded that and a great deal more. Gloom and discontent prevailed extensively throughout the manufacturing districts. The Anti-Corn-Law League had by this time become formidable. The demand was loud and imperious for cheap food, and the total repeal of the corn laws. And on the day fixed for the announcement of the ministerial measure some five hundred deputies from the Anti-Corn-Law Associations in the metropolis and provinces went in procession to the House of Commons, but were refused admittance. Yet with all this the Government was not disconcerted, and with imperturbable gravity on February 9, 1842, Sir Robert Peel exposed the policy of the Cabinet on the corn laws.

At first Sir Robert Peel did not attach much weight to the influence of these laws. In his speech in the House, he said that to his mind the question was not so much what was the price of food, as what was the command which the labouring classes of the population had of all that constituted the enjoyments of life. His belief and the belief of his colleagues was, that it was important for the country to take care that the main source of the supply of corn should be derived from domestic agriculture. And he contended that a certain amount of protection was absolutely required for that industry. But he made a most important avowal, one which no Protectionist minister had ever made, that protection should not be retained for the special benefit of any particular class, but only for the advantage of the nation at large, and in so far only as was consistent with the general welfare of all classes of society. Sir Robert Peel then entered on the extent of such protection, and having taken 54s. to 58s. per quarter, as the price at which corn should range for a fair remuneration to the agri-

culturist, he asked—Shall the corn laws be based on a sliding scale, or on a fixed duty? Much might be said for the one and for the other. A sliding scale was introduced in France in 1819, one had been adopted in Belgium, the Netherlands, and other countries, and it seemed to have the advantage of adapting itself to every circumstance. But experience did not confirm the hopes entertained of its working. It did not hinder prices falling lower than was wanted in years of abundance, or rising higher than was desirable in years of scarcity; and it had the same prejudicial effect as every corn law of causing the cultivation of land to be regulated, not by its inherent capacity, but by the amount of forced stimulus given to it by the Legislature. Besides these radical defects, the objections urged against the sliding scale were, that the reduction of duty was so rapid as to hold out temptation to fraud; that it operated as an inducement to retain corn, or combine for the purpose of influencing the averages; that the rapid decline of the duty was injurious to the consumer, the producer, the revenue, and the commerce of the country; that it was injurious to the consumer because, when corn was at a high price—say, between 66s. and 70s.—and just when it would be for the public advantage that corn should be liberated for the purpose of consumption, the joint operation of increased price and diminished duty induced the holders to keep it back, in the hope of realising the price of upwards of 70s. and so paying only 1s. duty; that it operated injuriously to the agricultural interest because it held out a temptation to keep back corn until it could be suddenly entered for consumption at the lowest amount of duty, when agriculture lost the protection which the law intended it should possess; that it was injurious to the revenue because, instead of corn being entered for home consumption when it arrived, it was retained until it could be introduced at 1s., the revenue losing the difference between 1s. and the amount of duty which would otherwise have been levied; that it was injurious to commerce because, when corn was grown at a distance—in America, for instance—the grower was subject to the disadvantage, that before his cargo arrived in this country the sudden entries of wheat at 1s. duty from countries nearer England might have so diminished the price and increased the duty, as to cause his speculation to prove not only a failure but ruinous. These were formidable objections to any sliding scale, but between a gradual and a fixed rate of duty there was not a material difference. On the other hand, a fixed duty of 8s. per quarter was too low as a protection in time of abundance, and was in effect a prohibitory duty in time of scarcity. Nor was it possible to maintain more than a nominal duty when prices began to rise. It was indeed difficult to strike the balance of advantage and inconvenience between the sliding scale and the fixed duty. So, on the whole, Sir Robert Peel favoured the prin-

industry, that we recognise the breadth of view, the sound wisdom, and practical knowledge which Sir Robert Peel possessed. For years past the finances of the country had fallen into complete disorder. An annual deficiency of one or two millions had become a chronic evil, and no means of escape presented itself.³ With a disaffected people, and frequent riots in the manufacturing districts, with a paralysed trade, and wages reduced to a very low scale, any idea of imposing new taxes, or making those existing heavier, was out of the question. A temporary and casual deficiency might have been met by an issue of Exchequer bills; but what would have been the use of resorting to such expedient when there was no ground whatever for expecting any immediate improvement? On the other hand, to have recourse to loans in times of peace in order to balance the revenue and expenditure was equally inadmissible. Sir Robert Peel knew that a timely and moderate reduction of taxes is favourable rather than injurious to the revenue. He knew that, though for the moment such a reduction might show a loss, nevertheless, by the stimulus it affords to increasing consumption, the revenue would soon recover itself, and probably exceed the amount previously produced. Yet, unfortunately, the few precedents he had for such an operation, attempted in times not very prosperous, were not encouraging. In 1825 the revenue from wine amounted to 2,153,000*l.* The duty was reduced from 9*s.* 1½*d.* to 4*s.* 2¾*d.* per gallon: and what was the result? The year after the revenue was 1,400,000*l.*; it afterwards increased to 1,700,000*l.*, but it fell again to 1,400,000*l.* The duty on tobacco had been reduced from 4*s.* to 3*s.* per lb. Before the reduction the revenue was 3,378,000*l.*; immediately after it fell to 2,600,000*l.*; and, though it rose somewhat from that point, it did not reach the previous amount. Of course the consumption of articles of luxury, such as wine and tobacco, is not so affected by a reduction of duty as that of tea, sugar, and other necessaries of life. Moreover, the resources of the country were at that time comparatively undeveloped to admit of any large increase of consumption. Still, such experience did not warrant the expectation that a reduction of taxes would have the effect of filling the Exchequer.

But the circumstances of trade required instant relief, and the tariff needed a thorough reform and simplification. Two years before, in 1840, on the motion of Mr. Hume, a committee of the House of Commons was appointed to enquire into the duties levied on imports, and to determine how far they were imposed for purposes of revenue; and in their report the committee said, 'The tariff of the United Kingdom presents neither congruity nor unity of purpose: no general principles seem to have been applied. The

³ The deficiency in the year ended April 5, 1841, was 1,157,601*l.*, in the year ended April 5, 1842, 117,627*l.*, and 1843, 2,704,510*l.*

tariff often aims at incompatible ends; the duties are sometimes meant to be both productive of revenue and for protection, objects which are frequently inconsistent with each other. Hence they sometimes operate to the complete exclusion of foreign produce, and in so far no revenue can of course be received; and sometimes, when the duty is inordinately high, the amount of revenue is in consequence trifling. They do not make the receipt of revenue the main consideration, but allow that primary object of fiscal regulations to be thwarted by the attempt to protect a great variety of particular interests at the expense of revenue, and of the commercial intercourse with other countries. Whilst the tariff has been made subordinate to many small-producing interests at home by the sacrifice of revenue, in order to support their interest, the same principle of interference is largely applied, by the various discriminating duties, to the produce of our colonies, by which exclusive advantages are given to the colonial interests at the expense of the mother country.' Such were the general features of the existing tariff, the result of years of careless legislation on the subject. The fact was indeed too evident that it was necessary to prune the overburdened tariff, and to liberate a large variety of articles from the needless trammels of legislation.

But how to accomplish this without a handsome surplus revenue? Fortunately Sir Robert Peel, undeterred by the state of the revenue, determined to do what was necessary for trade. And he acted wisely. Untrammel industry from the bonds of legal restrictions, open the avenue to wealth and prosperity, that is the right policy. Pursue this course, and there is no fear but the revenue will set itself speedily right. Some slight reductions he made in 1841, but on March 11, 1842, in his famous financial statement he proposed to reduce considerably all the duties on the raw materials of manufacture, all duties on goods partially or wholly manufactured, as well as the duties on timber, and all export duties, together producing 1,500,000*l.*; and to make up this loss, and to provide for the original deficit in the revenue, amounting to 2,570,000*l.*, by an income and property tax of 7*d.* in the pound, which he expected would produce 3,700,000*l.*; ⁴ by the equalisation

⁴ The amount of duty assessed in 1843 was 5,608,348*l.* The amount of property assessed was. Schedule A, 95,284,497*l.*; Schedule B, 46,769,915*l.*; Schedule C, 27,909,793*l.*; Schedule D, 71,330,344*l.*; Schedule E, 9,718,454*l.* Total 251,013,003*l.*

Taxes Reduced or Repealed.

1841	Rice in the husk, from the United States of America	} From 1 <i>l.</i> to 1 <i>d.</i> per quarter.
	Olive oil, the produce of the Two Sicilies	
	„ imported in ships, of the Two Sicilies	
	Other articles, producing in all the trifling amount of 7 <i>l.</i> of revenue.	} From 10 <i>l.</i> 10 <i>s.</i> to 6 <i>l.</i> 6 <i>s.</i> per tun.
1842	Coffee, of British possessions.	
	„ of foreign possessions	From 6 <i>s.</i> $\frac{9}{20}$ <i>d.</i> to 4 $\frac{4}{20}$ <i>d.</i> per lb.
		From 9 $\frac{3}{20}$ <i>d.</i> to 8 $\frac{3}{20}$ <i>d.</i> per lb.

of the stamp and spirit duties, which would give 400,000*l.*; and by a small tax on the exportation of coals, which would give 200,000*l.*, making in all 4,310,000*l.* It was a simple plan, yet there was profound wisdom in Sir Robert Peel's budget. The value of the reductions proposed far exceeded the amount of relief in taxation they each and all collectively afforded. The removal of the taxes on raw materials was a great boon, inasmuch as they had the effect of putting our manufactures in a disadvantageous position in the markets of the world, and restricting the field for the employment of capital and labour. As was said in the discussion on the budget, suppose 50,000 head of cattle were to be annually imported in consequence of such remissions, such importation would produce but a small effect on the price of meat, but it would create an import trade to the amount of half a million of money, a trade which in its nature would tend to produce an export trade in return of an equal amount. Our export trade is measured and limited by our import trade. If an individual merchant cannot afford to send his goods to other countries without obtaining any return, neither can all merchants collectively, and the country as a whole, afford to export commodities to foreign countries if in some shape or other imports are not received from those countries in return. Reduce the duties on imports, and you thereby promote the export of our produce and manufactures. Remove those taxes which burden our manufactures, and you promote the importation of those articles which are necessary to the comfort and welfare of the nation. The income tax might be odious, 'inquisitorial, intolerable,' yet it was at that time the only means by which the necessary reforms in the tariff could be attempted. And the nation, having balanced the evil and the good of the proposal, and found that the advantages preponderated, cheerfully accepted the Government proposal, and gave to the proposal its hearty consent.

The commercial policy thus inaugurated by Sir Robert Peel

1842 Hides, untanned, dry and wet, from British and foreign possessions	}	Reduced rates respectively.
Liquorice juice		
		From 3 <i>l</i> 18 <i>s</i> 9 <i>d</i> to 1 <i>l</i> 8 <i>s</i> . 10½ <i>d</i> . per cwt.
Mahogany, from Honduras, British pos- sessions, and foreign countries	}	Reduced rates respectively.
Olive oil, in British ships and Sicilian ships		
		Further reduced rates respec- tively
Oil, palm		From 1 <i>s</i> 3¾ <i>d</i> . to 6½ <i>d</i> . per cwt.
Seeds, clover		From 1 <i>l</i> . 1 <i>s</i> to 10 <i>s</i> . 6 <i>d</i> . per cwt
„ linseed and flax seed		From 1 <i>s</i> . 0½ <i>d</i> . to 1 <i>s</i> ½ <i>d</i> . per quarter
Turpentine		From 4 <i>s</i> 6½ <i>d</i> . to 1½ <i>d</i> . per cwt.
Wood and timber, British and foreign		Reduced rates.
Percentage duty on British goods ex- ported	}	10 <i>s</i> . 6 <i>d</i> <i>ad valorem</i> repealed.
Other articles on which the estimated loss was less than 10,000 <i>l.</i> , and in all producing 270,000 <i>l</i> of revenue		
		Repealed.

being in perfect accord with sound economic principles, could not fail to be successful. From 1841 to 1843, as we have seen, there was a yearly deficit in the budget. In the year ending April 5, 1844, Sir Robert Peel found himself in possession of a handsome surplus of 2,600,000*l.*, which was exceeded in the following year, and continued at a high point for four consecutive years.⁵ The exports of British produce, which in 1842 had fallen to 47,000,000*l.*, increased to 52,000,000*l.* in 1843, to 58,000,000*l.* in 1844, and 60,000,000*l.* in 1845. The shipping entered and cleared increased from 9,000,000 tons in 1842 to 12,000,000 tons in 1845. In every way, financially and commercially, the results fully realised the anticipations formed, and Sir Robert was encouraged to advance still further in the same direction. Nothing important was attempted in the budget of 1843,⁶ but in 1844⁷ the duty on wool was abolished; the duties on currants and coffee were reduced, and a great change was made in the duties on marine insurance. And then, as we have seen in the previous chapter, the differential duties against foreign grown sugar were relaxed by permitting the importation of sugar, the growth of China, Java, or Manilla, or of any other countries which her Majesty in council shall have declared to be admissible, at moderate rates. In 1845⁸ another

⁵ The surplus in the year ended April 5, 1844, was 2,685,125*l.*, 1845, 3,027,615*l.*; 1846, 1,647,324*l.*, and 1847, 2,823,762*l.*

Taxes Reduced or Repealed

1843	Cork	From 8 <i>l.</i> 8 <i>s.</i> to 1 <i>s.</i> 0 $\frac{13}{20}$ <i>d.</i> per ton
	Oil, spermaceti, of foreign fishing.	From 27 <i>l.</i> 18 <i>s.</i> 7 $\frac{4}{20}$ <i>d.</i> to 15 <i>l.</i> 15 <i>s.</i> per tun
	Wood and timber	Further reductions.
	Other articles, producing in all	6,961 <i>l.</i> of revenue.
⁷ 1844	Coffee, foreign	From 8 $\frac{3}{20}$ <i>d.</i> to 6 $\frac{3}{20}$ <i>d.</i> per lb.
	Currants	From 1 <i>l.</i> 3 <i>s.</i> 3 $\frac{3}{20}$ <i>d.</i> to 15 <i>s.</i> 9 <i>d.</i> per cwt.
	Wool, sheep's, foreign, not being of the value of 1 <i>s.</i> per lb.	} 21 $\frac{1}{20}$ <i>d.</i> per lb. repealed.
	Do, being of the value of 1 <i>s.</i> per lb.	
	Other articles, producing in all	7,300 <i>l.</i> of revenue.
⁸ 1845	Brimstone, unrefined, British possessions	2 $\frac{3}{20}$ <i>d.</i> per cwt. repealed
	" " foreign countries	6 $\frac{1}{10}$ <i>d.</i> " "
	Bristles	3 $\frac{3}{20}$ <i>d.</i> per lb. "
	Iron, in bars, from British possessions	2 <i>s.</i> 7 $\frac{1}{2}$ <i>d.</i> per ton "
	" " foreign countries	1 <i>l.</i> 1 <i>s.</i> per ton "
	Mahogany, from British possessions and Honduras	} Repealed.
	Oil, olive, from British possessions and foreign countries	
	Silk, raw	1 $\frac{1}{20}$ <i>d.</i> per lb. repealed
	" thrown, not dyed	1 <i>s.</i> 0 $\frac{3}{20}$ <i>d.</i> " "
	Wood staves, from British possessions and foreign countries	} Repealed.
	Wool, cotton, from British possessions	
	" " " foreign countries	4 $\frac{1}{2}$ <i>d.</i> per cwt. repealed.
	Coals exported in British ships	3 <i>s.</i> 0 $\frac{3}{4}$ <i>d.</i> " "
		Large coals, 2 <i>s.</i> per ton repealed.
		Small coal, 1 <i>s.</i> " "

still more important series of reform was introduced. The duty on cotton wool, which, however slight and inappreciable on the coarser material, pressed rather heavily on the finer muslin, was abolished. The export duty on coals, which had been found vexatious and injurious, was removed. The timber duties were further reduced. The duty on glass was removed from the tariff, and also the duties on 430 articles which produced little or no revenue, including fibrous materials, such as silk, hemp, and flax, furniture, woods, cabinetmakers' materials, animal and vegetable oil, ores and minerals, &c. In 1846⁹ the liberal policy was further extended. Hitherto our manufacturers had been benefited by the free access granted to the raw materials. It was right to ask of them to relinquish some at least of the protecting duties still in existence. And the duties on linen, woollen, and cotton manufactures were reduced from 20 to 10 per cent. The silk duties, then at 30 per cent., were also reduced to 15 per cent. A reduction was made in the duties on stained paper, on manufactures of metals, on earthenware, on carriages, and on manufactures of leather; and the duties on butter, cheese, and hops were further reduced.¹⁰

But was it right to effect all these reforms without asking for reciprocity on the part of foreign countries? For years past it was

1845	Other articles, on each of which the estimated loss is less than 10,000%.	} Repealed
	Glass bottles	From 11s 6 $\frac{3}{10}$ d reduced to 3s. per cwt
	Sugar	Reduced rates.
	Sugar, molasses, British possessions	From 9s 5 $\frac{1}{2}$ d. to 5s 3d. per cwt
	Other articles, producing in all 9,932% of revenue.	
<i>Taxes Reduced or Repealed</i>		
1846	Oxen and bulls	17 1s. each repealed
	Woollen manufactures, not made up	15l 15s per centum <i>ad valorem</i> repealed.
	Other articles, on each of which the estimated loss is less than 10,000%.	} Repealed.
	Butter	From 17. 1s. reduced to 10s. per cwt.
	Cheese	From 11s 0 $\frac{3}{10}$ d reduced to 5s. per cwt.
	Seeds, clover	From 10s 6d. to 5s per cwt.
	Silk manufactures	At value from 31l 10s reduced to 15l. per centum <i>ad valorem</i>
	Spirits, foreign	From 1l 2s 10d reduced to 15s per gall
	„ British possessions	From 9s 4d reduced to 8s 10d. per gall
	Tallow	From 3s 3 $\frac{3}{10}$ d reduced to 1s. 6d. per cwt.
	Other articles, on each of which the estimated loss is less than 10,000%, and together producing 101,527% of revenue	

¹⁰ In 1842 there were 1,090 articles and subdivisions of articles charged with distinct rates of import duty in the customs tariff. In 1846 the number was reduced to 424.

known that her Majesty's Government had used every effort to enter into treaties with several states, such as Brazil, Portugal, Spain, and France, with a view to the adoption of mutual concessions. In 1843 and 1844 Mr. Ricardo brought the subject before the House of Commons, and moved for an address to her Majesty praying that her Majesty be pleased to give directions to her servants not to enter into any negotiations with foreign powers which would make any contemplated alterations of the tariff of the United Kingdom contingent on the alterations of the tariff of other countries; and expressing to her Majesty the opinion of the House that the great object of relieving the commercial intercourse between this country and foreign nations from all injurious restrictions would be best promoted by regulating our own customs duties, as might be most suitable to the financial and commercial interests of this country, without reference to the amount of duties which foreign powers might think it expedient for their own interest to levy on British goods. But the Government opposed the motion, and Mr. Ricardo was defeated. Mr. Gladstone especially defended the policy of endeavouring to obtain such treaties. He did not wish, he said, 'to be trammelled by an abstract proposition, and unless Mr. Ricardo could show that there were no possible circumstances in which a commercial treaty could be aught other than evil, he had no right to call upon the House to affirm his resolution.' The Government, however, now practically acted on the policy advocated by Mr. Ricardo, and Sir Robert Peel avowed it frankly.

'I have no guarantee,' he said,¹¹ 'to give you that other countries will immediately follow our example. I give you that advantage in the argument. Wearied with our long and unavailing efforts to enter into satisfactory commercial treaties with other nations, we have resolved at length to consult our own interests, and not to punish other countries for the wrong they do us, in continuing their high duties upon the importation of our products and manufactures, by continuing high duties ourselves, encouraging unlawful trade. We have had no communication with any foreign government upon the subject of these reductions. We cannot promise that France will immediately make a corresponding reduction in her tariff. I cannot promise that Russia will prove her gratitude to us for our reduction of duty on her tallow, by any diminution of her duties. You may, therefore, say, in opposition to the present plan, "What is this superfluous liberality, that you are going to do away with all these duties, and yet you expect nothing in return?" I may, perhaps, be told that many foreign countries, since the former relaxation of duties on our part—and that would be perfectly consistent with the fact—foreign countries, which have been benefited by our relaxations, have not followed

¹¹ Hansard's *Debates*, January 27, 1846.

our example; nay, have not only not followed our example, but have actually applied to the importation of British goods higher rates of duties than formerly. I quite admit it. I give you all the benefit of that argument. I rely upon that fact, as conclusive proof of the policy of the course we are pursuing. It is a fact, that other countries have not followed our example, and have levied higher duties in some cases upon our goods. But what has been the result upon the amount of your exports? You have defied the regulations of these countries. Your export trade is greatly increased. Now, why is that so? Partly because of your acting without wishing to avail yourselves of their assistance; partly because of the smuggler, not engaged by you, in so many Continental countries, whom the strict regulations and the triple duties, which are to prevent the ingress of foreign goods, have raised up; and partly, perhaps, because these very precautions against the ingress of your commodities are a burden, and the taxation increasing the cost of production, disqualify the foreigner from competing with you. But your exports, whatever be the tariff of other countries, or however apparent the ingratitude with which they have treated you, your export trade has been constantly increasing. By the remission of your duties upon the raw material, by inciting your skill and industry, by competition with foreign goods, you have defied your competitors in foreign markets, and you have been enabled to exclude them. Notwithstanding their hostile tariffs the declared value of British exports has increased above 10,000,000% during the period which has elapsed since the relaxation of duties on your part. I say, therefore, to you that these hostile tariffs, so far from being an objection to continuing your policy, are an argument in its favour. But, depend upon it, your example will ultimately prevail. When your example could be quoted in favour of restriction, it was quoted largely. When your example can be quoted in favour of relaxation as conducive to your interest, it may perhaps excite at first in foreign governments, in foreign boards of trade, but little interest or feeling; but the sense of the people of the great body of consumers will prevail; and in spite of the desire of Government and boards of trade to raise revenue by restrictive duties, reason and common sense will induce relaxation of high duties. That is my firm belief.'

Another evidence of the liberal views held by Sir Robert Peel's Cabinet at this important period was the abolition of the prohibition to export machinery. There is scarcely anything for which Britain is more distinguished than for her power to mould and subdue the hardest metal, and to convert the shapeless and roughest mass of inert matter into the most useful mechanical instrument. No country in the world possesses factories for machinery as extensive as Manchester, Leeds, and their immediate neighbourhood. And when we consider that it is by this superiority

in mechanical contrivances that England was able for so long a time to maintain her manufacturing industry, and to render foreign nations in a manner tributaries to her power and skill, we may almost sympathise with those who entertained grave apprehensions from allowing these very machines, these wonders of art, to be sent to rival nations. They thought it altogether inexpedient to hasten or actively promote the successful manufacturing rivalry of foreign competitors by supplying the Continent with English machinery of the best description. And they reasoned respecting the exportation of machinery in the same manner as they did as regards prohibiting our artisans to emigrate, or allowing the exportation of coals or of cotton yarn. If we happen to possess any special aptitude or privilege, why should we throw it away? Why build the fortune of others with our own hands? But experience has proved that it is in vain to attempt to keep for ourselves any advantage we may chance to possess. Our superiority to other nations must be maintained by the constant exercise of that same skill and energy which set us from the first at the head of other countries. We cannot rely upon fictitious expedients for keeping other nations behind us. At the very time when we prohibited the exportation of our machinery, other nations, especially Belgium, France, Germany, and Switzerland, were making considerable progress in them. Our position had become untenable. The prohibition to export machinery applied by law to several articles specified by a schedule attached to the Customs Regulation Act of 1825; but a discretionary power was vested in the Board of Trade, to permit the export when the machinery was of great bulk and contained a quantity of raw material, and to restrain it when the machinery was of modern improvement, and depended mainly upon the ingenuity and excellence of the mechanism, and also when the raw material used was but trifling. It is easy to see how difficult it must have been for the Board of Trade to use this discretion aright. In practice, whilst the most ingenious pieces of mechanism found their way through the customs, tools, which are as important as machinery, were not allowed to be exported. But machines of all kinds were smuggled continually. Passengers not only took drawings and plans, but secreted machinery in their luggage. Sometimes a piece of machinery was sent to the quay and the remainder to the docks. Sometimes machinery was secreted in bales of goods which custom-house officers could not readily unpack. In many ways the law was evaded. The prohibition of exportation positively injured the manufacturers of machinery. A machine maker in England discovering some new mechanical combination, or inventing a new machine, might secure a protection for the invention on the Continent in the same manner as in this country; but when the patent applied to a machine, the export of

which was prohibited, he was obliged either to establish a manufacture on the Continent, which was inconvenient and almost impracticable if he was not present to superintend, or to throw himself into the hands of foreigners, and thus derive only a portion of the profits, all of which he would have got had his invention remained in his own hands. If the latter method was adopted it became necessary to supply such foreigners with the knowledge requisite for the construction of the machine, to furnish drawings and specifications, possibly to send a model machine, which, being made in this country, could be sent to the Continent only in a surreptitious manner. Thus, instead of calling into activity the works connected with our own coal and tin mines and the labour and industry of a large body of our industrious artisans, the manufacturer was compelled to call all these advantages into operation in foreign countries. We have already seen that the committee on the combination laws, appointed in 1825, was to have enquired into the operation of the law respecting the exportation of tools and machinery, but had no time to complete their enquiry on the subject. In 1843 the enquiry was resumed, and, after having examined a large number of witnesses, the committee reported that, considering that machinery was the only product of British industry upon the exportation of which restraints were placed, they recommended that the law prohibiting the exportation of such should be repealed, and that the trade of machinery should be placed upon the same footing as other departments of British industry. The Government acted upon this report. A bill on the subject was introduced, and the exportation of machinery was set free.¹²

¹² 6 & 7 Vict. c. 84

CHAPTER II.

THE BANK CHARTER ACTS.

Conflicting Opinions on Monetary Legislation.—Committee of 1819 — Committee of 1826 — Committee of 1832.—Committee of 1836.—Committee of 1840 —Committee of 1841.—Theory of Lord Overstone, Colonel Torrens, and Sir Robert Peel —Theory of Mr. Tooke and Mr. Fullarton —Sir Robert Peel's Motion —Currency Laws for Scotland and Ireland —Law of Joint Stock Companies —Practice of the Board of Trade on granting Charters.—Committee on Joint Stock Companies.

THE Bank Charter Act of 1844 has been subjected to considerable criticism. Dealing as it did with the monetary organisation of a great commercial nation, legislating in accordance with a special theory of currency and banking, interfering with established customs and in some cases even with private rights, the Bank Act has by one class of financiers and economists been held up as the master-piece of Sir Robert Peel's administration, and by another as only a piece of blundering and meddling legislation, useless in times of ease and prosperity, and most inconvenient in times of anxiety and panic. In the main conclusions of the Bullion Committee there was a universal concurrence. The act of 1819 was accepted by most parties as a just and necessary measure, since the restriction of cash payments could be considered only as an exceptional measure which extreme circumstances alone could justify. Yet on the occasion of the crises in 1826, 1836, and 1839, conflicting views were expressed respecting the relative influence of causes immediately connected with the currency and causes special to the times of a political or economic character. Sir Robert Peel, however, who since 1829 had become a decided convert to the bullionist theory, was at no loss to account for the same, and saw in all these circumstances a clear and decided reason for checking by law any excess of issue which endangered the maintenance of a metallic currency. Taking advantage, therefore, of the expiration of the time for which the privileges of the Bank of England had been granted, Sir Robert Peel, on May 6, 1844, propounded his new scheme for controlling and regulating the issue of notes. Much had been done already in the way of clearing the ground for further legislation on the currency, and it may be well before entering on the proposed measure, even at the cost of some repetition, to refer to the different

inquiries instituted on the subject, at least since the famous Bullion Committee.

The first documents in date and importance are the two reports of committees of the Houses of Lords and Commons in 1819, on the expediency of the resumption of cash payments by the Bank of England. Before those committees appeared Samuel Thornton, Thomas Tooke, David Ricardo, Alexander Baring, and many other financial authorities; and the reports, besides dealing with the immediate subject before the committees, dwelt also on the point how far, during the restriction, an undue circulation of notes was the cause of the unfavourable state of the foreign exchanges. Some of the witnesses attributed the unfavourable state of the exchanges to an excess in the circulating medium of the country; others to the effect of the Mint regulations respecting the silver coinage; and others to the operation of foreign loans, to the investment of capital in foreign funds and speculations, and to the large purchases of corn abroad. The Lords committee reported that many of those who maintained that it is at all times in the power of the Bank to exercise a complete control over the rise and fall of the exchanges, and over the price of gold, nevertheless thought that the great loans contracted by foreign states since the peace, the investments made by persons in this country in foreign securities, the pressure which took place in the money market at Paris and other commercial towns on the Continent and in America, and the great importation of corn during the year 1818, all concurred in lowering the exchanges. That on the other hand, many of those who attributed the high price of gold and the unfavourable state of the exchanges chiefly to such operations, and who denied or doubted the fact that the issue of the notes of the Bank of England had been excessive, nevertheless thought that an excessive increase or diminution of their issue was capable of affecting the exchanges.

In 1826 a committee of the House of Commons was appointed to inquire into the state of the circulation of promissory notes under the value of five pounds in Scotland and Ireland. As regards Scotland, it appeared that notes of not less than twenty shillings had been at all times permitted by law, and upon the continuance of such issue the committee's report was decidedly unfavourable. 'The presumption on general principles appears to your committee to be in favour of an extension to other parts of the United Kingdom of the rule which it has been determined to apply to England. Provision would thus be made for equally apportioning among all parts of the empire that charge which is inseparable in the first instance from the substitution of a metallic in the room of a paper currency. The wider the field over which a metallic circulation is spread the greater will be the security against its disturbance from the operation of internal or external causes, and the lighter

on any particular part will be the pressure incidental to a sudden contraction of currency.' The witnesses from Scotland, however, were averse to any change in the laws which regulated the issue of promissory notes in that country, and the committee could not advise the passing of a law prohibiting the future issue in Scotland of notes below five pounds. In Ireland the same practice prevailed as in Scotland, but the committee had not sufficient information to enable them to pronounce a decisive opinion upon the general measures which it might be fitting to adopt with respect to the paper currency of Ireland. The House of Lords committee in the same year reported to the same effect.

Six years after, in 1832, a committee was appointed to enquire into the expediency of renewing the charter of the Bank of England, and into the system on which banks of issue in England and Wales were conducted. The committee enquired whether the paper circulation of the metropolis should be confined to the issue of one bank, and that a commercial company, or whether a competition of different banks of issue, each consisting of an unlimited number of partners, should be permitted; and also what checks might be provided to secure for the public a proper management of banks of issue, and especially whether it would be expedient and safe to compel them periodically to publish their accounts. Among the witnesses were John Horsley Palmer, Samuel Jones Loyd (Lord Overstone), Thomas Tooke, George Grote, and many others equally eminent. The committee made no complete report, but the evidence was full of information as to the principle on which the Bank was guided in the regulation of its issue and on the management and privileges of the Bank.

Again, in 1836, a committee was appointed to enquire into the operation of the Act of 7 Geo. IV. c. 46, permitting the establishment of joint-stock banks, and whether it was expedient to make any alteration in the provisions of that Act. The committee did not fully report in that year, but stated that the Act had stimulated both credit and circulation. The committee was reappointed in 1837 and in 1838, and important evidence was given on the operation of the country branches of the Bank of England established in 1826, after the crisis, for the purpose of affording greater facilities to the commercial world and of improving the circulating medium. It was clear, however, that some further legislation was required on joint-stock banks, since the law imposed no check to the formation of such beyond the payment of a licence duty. The Act, moreover, required no deed of settlement, and made no restriction as to capital, shares, or declaration of dividends.

In 1840, another committee sat on the effects produced on the circulation by the various banking establishments issuing notes payable on demand, which made no formal report. The witnesses on that occasion included Mr. J. B. Smith and Mr. Richard Cobden

representing Manchester, besides representatives of the Bank of England, and others. In evidence before the committee on the Bank charter in 1832 Mr. Horsley Palmer stated that the plan on which the Bank acted in ordinary circumstances in the regulation of its issue was to retain an investment, in securities bearing interest, to the extent of two-thirds of its liabilities, the remaining one-third being held in bullion and coin, and that any reduction of the note circulation was, so far as was dependent upon the Bank, subsequently affected by the foreign exchanges or by internal extra demand. It seemed, however, that in several instances this rule had not been adhered to, and doubts had been expressed as to the soundness of its principle as applicable to the Bank of England. Conceiving that this rule had received some sort of legislative sanction, the Bank directors felt themselves bound to adhere to it as nearly as circumstances would permit, and on a particular occasion they thought themselves fettered by this impression. Without entering into the question either of the soundness of the rule or of the degree of sanction which it might be supposed to have received from the legislature, the committee were of opinion that such an impression on the part of the directors of the Bank of England ought not to prevent them from acting on any other principle of management which, after their further experience, and upon mature consideration, they might consider to be better adapted to attaining the primary object in view, that of preserving under all circumstances the convertibility of their notes.

In 1841 the same committee was reappointed, and made two reports, which recommended a more frequent publication than was then required of the bank notes in circulation in England and Wales, and of the bullion in the Bank of England, and similar publication of the bank notes in circulation in Scotland and Ireland. This report is specially valuable for the evidence of the country bankers and of Mr. James William Gilbart, the manager of the London and Westminster Bank, who considered at some length the laws which regulate the circulation of bank notes in different parts of the kingdom. Summing up certain observations on a table of the circulation, he said: 'The general conclusion I would draw is, that the Bank of England is governed by certain laws which do not apply to the country circulation; that the country circulation of England is also governed by laws peculiar to itself; that the circulation of Ireland is also governed by laws peculiar to itself; that the circulation of Scotland is also governed by laws peculiar to itself; that those respective circulations are all governed by uniform laws, as is shown by their arriving at nearly the same point at the same period of the year; and therefore that you cannot introduce any system by which all those various circulations, governed by different laws, can be amalgamated into one system; that such a system would be at variance

with itself, and would tend to destroy that beautiful system of country banking which now exists, a system which has tended very much to the prosperity of this country, which, by receiving the surplus capital of different districts and giving out the capital for the encouragement of trade, calls forth all the natural resources of the country, and puts into motion the industry of the nation, and at the same time supplies a circulation which expands and contracts in each district according as it is required by the trade or agriculture of the district.'

Besides these public enquiries much had been written on the subject of banking and currency, and the conflicting theories had on one side as their champions Mr. Jones Loyd (afterwards Lord Overstone), Colonel Torrens, and Sir Robert Peel; and on the other Mr. Tooke and Mr. Fullarton. And from their writings Mr. Danson deduced the following propositions, given in a paper on the accounts of the Bank of England under the operation of the Acts, read before the Statistical Society.¹

Messrs. Jones Loyd, Colonel Torrens, and Sir Robert Peel held—

'1. That the amount of the circulating medium in the hands of the public may be greater or less than is properly required for the transaction of the current business of the community; and that when greater it tends, by the excess, to make the use of the circulating medium too cheap. 2. That as the value of all other commodities is measured by that of the circulating medium, prices, or the nominal expressions of their value, are at such periods enhanced. 3. That such enhancement, by reducing exports and stimulating imports, turns the foreign exchanges against us, and leads to a drain of bullion. 4. That if, on the other hand, the amount of the circulating medium be reduced below that properly required for the time, a contrary effect will ensue, producing favourable exchanges, and an influx of bullion. 5. That one principal cause, and that which has heretofore been the most common in this country, of an undue expansion of the circulating medium,² is the putting or keeping in circulation by their issuers of too large an amount of bank notes payable on demand. 6. That the issuers of such notes can regulate at will the amount of them in circulation. And, 7. That if the bank notes in circulation be kept in strict proportion to the bullion in the hands of their issuers,

¹ *Journal of the Statistical Society*, vol x p. 132

² Lord Overstone held that the 'circulation' comprises not only the notes and coin in the hands of the public, but the precious metals and notes in the banking department. In his opinion they form a most vital part of the money of the country, because the Bank of England itself is a most important portion of the public. Mr Thomas Tooke, Mr Newmarch, and others limited the word 'circulation' to the notes of the Bank of England, or notes of private or joint-stock banks, circulating outside the walls of the establishment from which they proceed. In their opinion that which is not circulating constitutes a reserve, not circulation.

the amount of the circulating medium will be prevented from becoming greater than it should be, and the mischief held to arise from its becoming so will be averted.'

Mr. Tooke and Mr. Fullarton held—

'1. That no greater amount of the circulating medium, whether in coins or notes, is ever in actual use, or therefore in circulation, than is required by the current transactions of the community; for that so much of it as there is no present use for, goes either into hoards or into bankers' deposits. That if hoarded, it ceases to have any effect as circulating medium; and that if deposited with bankers, it can only pass again into use at interest, which interest will only be paid by those who have a profitable use for it. 2. That while a large portion of the circulating medium is dependent solely upon the credit of its issuers, its extension can, in fact, only be limited by the state of that credit on the one hand, and by the aggregate demand of those who are willing to pay for its use on the other. 3. That while there is a large fund of deposits in every part of the country payable on demand, an issuing banker cannot affect the aggregate amount of the circulating medium by issuing or withdrawing his notes. 4. That the amount of bank notes in circulation, representing only one portion of the addition made by the operation of bankers to the amount of the circulating medium, through the agency of their credit with the public, a restriction upon the amount of the addition so made must be ineffectual, unless it be accompanied by a like restriction on such of their other operations as have the same or a similar effect; and that, therefore, the omission of any regard to deposits and their effect in supplying readily and extensively the place of a portion of the circulating medium of this country, must render the restriction now placed upon the bank notes in circulation ineffectual to limit the amount of the circulating medium, whenever it shall become practically inconvenient either to bankers or to the public. 5. That the true measure of the voluntary addition made by a banker to the amount of the circulating medium is found, not in the amount of his notes in circulation, but in the terms upon which he makes advances, or, in other words, upon the price he charges for the use of so much of the circulating medium as he happens to command, either by the actual possession of money, or by his credit. And, 6. That any attempt to control the issuing banker by law in the management of this branch of his business would be in fact an attempt to fix the price of the use of money, or of credit held sufficient to represent money, which, like all other prices, is, and must continue to be, governed by influences wholly beyond the control of the legislature.'

Thus far, then, the question of banking and currency had already been amply debated when Sir Robert Peel, on May 6, 1844, brought forward his motion on the Bank charter. Com-

mening with an inquiry into the foundation of our currency, Sir Robert Peel startled his audience with his attempt to bring into a concrete form the idea embraced in the word 'pound.' What is the signification of that word, a 'pound,' with which we are all familiar? What is the engagement to pay a 'pound'? If a 'pound' is a mere visionary abstraction, a something which does not exist, either in law or in practice, in that case one class of measures relating to paper currency may be adopted; but if the word 'pound,' the common denominator of value, signifies something more than a mere fiction; if a 'pound' means a quantity of the precious metal of certain weight and certain fineness, if that be the definition of a 'pound,' in that case another class of measures relating to paper currency will be requisite. 'Now,' he said, 'the whole foundation of the proposal I am about to make rests upon the assumption that, according to practice, according to law, according to the ancient monetary policy of this country, that which is implied by the word "pound" is a certain definite quantity of gold with a mark upon it to determine its weight and fineness, and that the engagement to pay a "pound" means nothing and can mean nothing else than the promise to pay to the holder, when he demands it, that definite quantity of gold.' Having thus established what is the real measure of value, and shown the advantage of adhering to a gold standard, Sir Robert Peel proceeded to urge the necessity of securing a certain relation between the paper currency and bullion, and of framing laws for maintaining a strict adherence to that relation. 'It appears to me,' he said, 'that we have from reasoning, from experience, from the admissions made by the issuers of paper money, abundant ground for the conclusion that, under a system of unlimited competition, although it be controlled by convertibility into coin, there is not an adequate security against the excessive issue of promissory notes. We should infer, certainly from reasoning, that free competition in the supply of any given article will probably ensure us the most abundant supply of that article at the cheapest rate. But we do not want an abundant supply of cheap promissory paper. We want only a certain quantity of paper, not, indeed, fixed and definite in nominal amount, but just such a quantity of paper, and that only, as shall be equivalent in point of value to the coin which it represents. If the paper be cheaper than the coin, it is an evil and not an advantage. That system, therefore, which provides a constant supply of paper equal in value to coin, and so varying in amount as to ensure at all times immediate convertibility into coin, together with perfect confidence in the solvency of the issuers of paper, is the system which ought to be preferred. Now, unless the issuers of paper money conform to certain principles, unless they vigilantly observe the causes which influence the influx or efflux of coin, and regulate their

issues of paper accordingly, there is danger that the value of the paper will not correspond with the value of the coin. The difference may not be immediately perceived, nay, the first effect of undue issue by increasing prices may be to encourage further issues; and as each issuer, where there is an unlimited competition, feels the inutility of individual efforts of contraction, the evil proceeds, until the disparity between gold and paper becomes manifest, confidence in the paper is shaken, and it becomes necessary to restore its value by sudden and violent reductions in the amount, spreading ruin among the issuers of paper, and deranging the whole monetary transactions of the country. If we admit the principle of a metallic standard, and admit that the paper currency ought to be regulated by immediate reference to the foreign exchanges—that there ought to be early contractions of paper on the efflux of gold—we might, I think from reasoning, without the aid of experience, argue that an unlimited competition in respect to issue will not afford a security for the proper regulation of the paper currency.’ Here we have the whole of the premises upon which the scheme was founded.

It should be observed that Sir Robert Peel designated as money both the coin of the realm and promissory notes payable on demand, and that by the word paper currency he meant promissory notes only, not including bills of exchange, drafts on bankers, and other forms of credit. But there is a material difference between money and paper currency. As Mr. Huskisson said, the one possesses intrinsic value, the other has none intrinsically, and represents value in so far only as it is an undertaking to pay in money the sum for which it is issued. Lord Liverpool nowhere sanctioned the definition of money as including bank notes. Nor does Mr. Tooke. It is true that Bank of England notes are legal tender, but that is only an exception which does not affect promissory notes of other bankers not so privileged. Sir Robert made no such distinction; he dealt with the whole in the same scheme of legislation, and after much explanation he summed up as follows: ‘It is proposed that the Bank of England shall continue in possession of its present privileges—that it shall retain the exclusive right of issue within a district of which sixty-five miles from London as a centre is the radius. The private banks within that district which now actually issue notes will of course be permitted to continue their issues to the amount of the average of the last two years.’³ Two departments of the Bank will be constituted, one for the issue of notes, the other for the transaction of the ordinary business of banking. The bullion now

³ The private bankers asked for the average of the previous five years, the joint-stock banks asked for the maximum of the previous two years, but Sir Robert Peel ultimately determined to take the average of the previous twelve weeks.

in the possession of the Bank will be transferred to the issue department. The issue of notes will be restricted to an issue of 14,000,000*l.* upon securities, the remainder being issued upon bullion and governed in amount by the fluctuations in the stock of bullion. If there be, under certain defined circumstances, an increase in the issue of securities, it shall only take place with the knowledge and the consent of the Government, and the profit derivable from such issues will belong to the public. Bankers now actually enjoying the privilege of issue will be allowed to continue their issues, provided the maximum in the case of each bank does not exceed the average of a certain prescribed period. A weekly publication of issue will be required from every bank of issue; the names of shareholders and partners will be published. No new bank of issue shall be formed, and no joint-stock company for banking purposes shall be established, except after application to the Government and compliance with various regulations which will be hereafter published to the consideration of Parliament.' Such is the outline of the measure as sketched to Parliament by the great statesman. It is much to be regretted that, notwithstanding the immense importance of the measure, it failed at the time to excite any great interest. Few were ready to follow Sir Robert Peel in the difficult and intricate inquiries which he broached, or to discuss with him the basis of monetary science. Mr. Hawes made an ineffectual attempt to open up a discussion by moving as an amendment, 'That no sufficient evidence has been laid before the House to justify the proposed interference with the banks of issue in the management of their circulation;' but the amendment was lost by 30 to 185, and although the bankers made strong representations on the subject, the measure went through the House with the greatest ease, and the Bank Charter Act passed into law.⁴

Nor did legislation terminate then. The year after, a similar measure was introduced for the banks in Scotland and Ireland with slight variations, such as that they might continue their issues of notes under 5*l.*, and that, whilst country bankers in England were not allowed in any case to issue notes beyond their average issue for the previous thirteen weeks, the banks in Scotland and Ireland should be allowed to exceed that amount, provided they kept the excess in gold. Again Sir Robert Peel found a most compliant House. His doctrines were accepted with the greatest readiness, and having answered the slight objections, and explained some points to the apparent satisfaction of the House, he succeeded in gaining a complete triumph, and another section of the banking legislation was duly registered in the statute book.⁵ We shall not attempt any formal criticism on Sir Robert Peel's measures, but to our mind the question is a simple one. It is not the function of the

⁴ 7 & 8 Vict. c. 32

⁵ 8 & 9 Vict. cc. 37 & 38.

Government to demand security for the payment of common debts, or to guarantee the right working of the foreign exchanges. The making of Bank of England notes legal tender in 1832, a measure which expediency alone had prompted, strengthened the erroneous assumption that bank notes are money. It would have been better to have retraced that step, and to have left the question of securing the convertibility of bank notes into cash just as the Bullion Committee left it in 1810, on the responsibility of the issuers themselves. This was the only safe and intelligible position for the legislature to take. As to any attempt to regulate the circulation by law, it must be practically useless, for we are not agreed on what the circulation consists of; and certainly it is useless to deal with one species of credit, such as bank notes, whilst others, such as deposits, cheques, and bills, which are of much greater magnitude, remain untouched. To fix the amount of the uncovered issue of the Bank of England at any sum which perchance happened to be due by Government to the Bank, or at the amount of capital of the Bank, or at the sum below which it had not fallen for a number of years, was altogether arbitrary and unphilosophical. To fix the amount of the uncovered issue of country banks, or of the Scotch and Irish banks, at the sum which happened to have been issued on a certain number of weeks in 1844, was likewise based on no solid foundation. Having once dismissed the idea of having only one bank of issue throughout the country as impracticable, there was no reason why the Bank of England should have had the sole privilege of issue in London. It would have been far better to have abolished the privileges and monopoly of the Bank of England, to have paid the debt due to the Bank, and to have placed the Bank of England on the same footing as any other bank. In the long run, it will be found that free banking will prove quite as beneficial as free trading.

CHAPTER III.

ON SCOTCH AND IRISH BANKING.

Economic Condition of Scotland and Ireland—Formation of the Bank of Scotland—Progress of Banking in Scotland—Extent of Banking Facilities—Special Features of Scotch Banking—History of Banking in Ireland—The Bank Charter Act of 1845

No better illustration of the beneficial action of banking in promoting the development of national resources could be afforded than the present advanced condition of Scotland. With only a small portion of her otherwise vast area capable of cultivation, a scanty population, and a geographical situation not nearly so advantageous as that of England, whence her wonderful prosperity and her abounding progress, except from the soundness of the means she has ever used for economising every fraction of her resources, and utilising them in the best manner possible? At the union, Scotland had a population of about one million of people, and a public revenue amounting to one hundred thousand pounds a year. Now, she has three times the population, or more than three millions of people, and a public revenue of some eight million pounds sterling a year. At the end of the war in 1815, Scotland was taxed for property valued at three millions per annum. Now, she is taxed for property valued at eighteen millions per annum, and that is, after all, an imperfect view of the property of Scotland or rather of the Scotch, since a large amount of property within England is owned by them, just as certain portions of property within Scotland is owned by the English. The unification of the Kingdom of Great Britain and Ireland is far too perfect to admit of any correct analysis of the Scotch, Irish, and English element, in the chief enterprises and industries of the country, but from the prevalence of Scotch names, and other distinctive characteristics of the Scottish character, it is too apparent that a considerable portion of the banking, commerce, and manufacture in the United Kingdom is in Scotch hands, whilst it is well known that the insurance companies of Scotland have overrun England, that many of the foremost places and ranks in every department of the economic and political life of the nation are filled by Scotch people, and that even in the British colonies and dependencies the Scotch occupy a distinguished

position. For a success so marked there must be greater and deeper reasons than chance and good fortune, but they may be easily found in the solidity of the Scottish character and the excellence of the Scottish banking system.

Very different has been the case with Ireland. Be it the fault of the race inhabiting it, or of the physical condition of the country—especially from the absence of coal and iron, which have played such an important part in the economic progress of Great Britain—or of the political circumstances which attended her union with England, or of the narrow sea which divides Ireland from the rest of the kingdom, whatever be the cause, the fact remains that Ireland has not participated in anything like the same degree in the prosperity of Great Britain, and that just as in England and Scotland the progress has been rapid and well sustained, so in Ireland it has been slow and fitful. An essentially agricultural country, her wealth is more dependent than that of England on the uncertain elements of rain and sunshine, whilst the unhappy failure of the potato crop in 1845, on which the subsistence of the people so largely rested, suddenly produced famine and disease to an extent seldom, if ever, experienced. Political discontent and agrarian crimes have discouraged the investment of capital in the country, and have kept the people in a constant state of ferment. Difference of religion has prevented a greater mingling of races and people, Ulster and Connaught having but little affinity with one another; whilst difference of character, resulting from the phlegmatic temperament of the Scotch and English, and the impulsive disposition of the Irish, could not fail to manifest its influence in the working of political and economic institutions. Witness their effects on banking. The Irish are constantly alternating between the extremes of confidence and distrust. At one time they will avail themselves in the most inconsiderate manner of any facility of credit. At another, and immediately as credit is in any degree checked, they fall into a total want of confidence. In Scotland, a sound public opinion respecting the currencies operates even more efficiently than any bank restriction Act in economising the use of gold. A person who asks for gold in payment of a note acts, in the eye of the community, in a most unpatriotic manner, and contrary to the interest of the country. In Ireland, the great body of the peasantry have upon the lightest rumour a desire to possess themselves of gold in preference to paper. In Scotland, hoarding is never heard of, and has not been resorted to for, we may say, generations. In Ireland, in the memory of living persons, farmers used to hide their guineas behind the bricks of their chimneys. Yet notwithstanding all these hindrances Ireland has considerably improved of late years. True, she has 3,000,000 of people less now than she had twenty-five years ago, but the existing popula-

tion, about 5,000,000, divide among themselves, not, of course, in equal proportions, nearly the same amount of riches, and, in many elements, even more than was possessed a quarter of a century ago. Pauperism has considerably diminished. Railways have been constructed, extending over 2,000 miles, involving an investment of nearly 30,000,000*l.* of capital, and producing traffic receipts which have actually doubled in amount in the last fifteen years. The savings banks, including the trustees and Post-Office banks, show an increase of capital belonging to the lower middle and the working classes, now amounting to 3,200,000*l.* The amount of property charged under schedules A and B, *viz.*, for income from land, has not increased; but that charged under schedule D, for profits from industry, has considerably augmented within the last fifteen years. And what is more, the deposits in the joint-stock banks have increased from 5,600,000*l.* in 1840 to 30,000,000*l.* in 1879. Nor should we ignore the fact, that if the Scotch succeed in England, so do the Irish, to a certain extent at least. The Provincial Bank of Ireland has an honourable place among the banking institutions of the metropolis, and for several years past there has not been a single failure among the banks of Ireland. There is a happy future yet in store for Ireland, I trust; and we know that where commerce and industry prosper, there banking is also sure to advance.

The earliest account we have of banking in Scotland dates from the foundation of the Bank of Scotland, towards the end of the seventeenth century, and if we can rightly deduce from conflicting statements, the Scotch are indebted for it to an Englishman, a Mr. John Holland, just as the English are indebted to a Scotchman, Mr. Paterson, for the Bank of England. Only it is fair to add that the Scotch do not admit their indebtedness, and assert that the idea was suggested to Mr. Holland by their own countryman, Mr. Paterson. The object of the Bank of Scotland was the promotion of the welfare of the nation, and the advancement of agriculture, commerce, and manufacture; and to insure its success, according to the notions of the day, the Bank obtained, with its charter, an exclusive monopoly of banking in Scotland for twenty-one years. The capital of the Bank was not to be very large, 1,200,000 Scottish pounds of 1*s.* 8*d.* each in value, amounting to about 100,000*l.*, and of this, two-thirds were subscribed in Scotland, to a large extent by Dutch and German merchants, who became thereby naturalised, and one-third in England, or rather in London, in one single day. The project, however, having originated in England, and the English proprietors having no confidence in the banking ability of the Scotch, provision was made that the governor and twelve directors should be English, and that the deputy-governor and twelve other directors should be Scotch. On what principle could the English shareholders, one-third of the

whole, demand that the governor and half the directors should be English, it is impossible to say. Why this was even worse than the exclusion of every Scotchman from the great body of officers of the Bank of England, when its very founder was a Scotchman ! However, the Scotch would not submit long to such an insult, and the invidious distinction was soon after abolished. The Bank of Scotland was not very successful at first. Partly through the meddling of the Darien Company, and partly through political difficulties connected with the Rebellion, the bank was twice, in 1704 and 1716, compelled temporarily to stop the payment of its notes. But no one suffered by it, and all along the Bank of Scotland continued to carry on a thriving business, realising enormous profits.

Long, therefore, before the twenty-one years' monopoly expired, the good fortune of the Bank was wistfully watched, and many were the attempts to induce its directors to extend their operations beyond the pure business of banking. Some wished them to enlarge their business to foreign parts. Others, to unite with the bank the business of insurance. And when these and other like attempts proved unavailing, direct hostility was resorted to, by charging the bank directors with being hostile to the House of Hanover, with demanding too high a rate of discount, and with being too particular about their securities. At last a party was formed to seek the incorporation of a new banking company, so as to put an end to the odious monopoly, and notwithstanding the objections urged by the Bank of Scotland and its friends, that it could be of no advantage to the nation to have a second bank,—that it was impracticable to support and carry on two banking companies, and that the fact that, in England, no rival was allowed to the Bank of England, was itself a wholesome warning against the multiplication of banking houses in Scotland—the Bank was not allowed to have all its ways, and the Royal Bank of Scotland was incorporated by royal charter on the 31st of March 1727.

The two banks managed well enough to live together, and there was plenty of business for them both, but the political condition of the country being turbulent, gold and silver left the country, and the two banks found it necessary in 1730 to introduce a clause into their notes, making them payable at the option of the directors at the end of six months, with a sum equal to the legal interest from the time of demand to the time of payment. The currency of Scotland was then in great disorder. Notes were issued for 10s. and 5s., and in Perthshire, notes could be had for sums as low as 1s. and even 1d. But it did not continue, and as tranquillity was restored, the currency resumed its wonted credit, and an Act was passed in 1765, suppressing all notes under 20s., and prohibiting notes of any amount to be issued with the

optional clause. From that time matters went on without further disturbance.

Yet notwithstanding the success of these banks, the Scotch have not evinced any eagerness for their multiplication. Thirty-two years passed from the first foundation of the Bank of Scotland in 1695 to the establishment of the Royal Bank of Scotland in 1727. Nineteen years more passed before the British Linen Company was established, in 1746, and sixty-four years more before the Commercial Bank of Scotland came into existence in 1810. After that, the National Bank was founded in 1825, the Union Bank in 1830, the Western Bank in 1832, and the City of Glasgow Bank in 1839,¹ both of which became shipwreck after years of mismanagement, by inordinate advances to private individuals upon produce, and investments in most unsatisfactory securities.² Of late years, the number of banking companies in Scotland has been reduced rather than increased. In 1845, the date of the passing of the Bank Act, there were twenty banks: now there are only eleven. But these banks have branches all over Scotland. In 1876 they had as many as 878 branches, so that, practically, Scotland is well provided with banking accommodation, the proportion being as one banking institution to every 4,017 of the population, or three times the amount in England, where there is one banking institution to 12,400 persons. There is nothing in the Bank Act of 1845 to hinder the formation in Scotland, as in England, of banks not of issue. But the want of this right is alleged to be an effective bar against the formation of new banks in Scotland, the people of that country not being disposed it seems to deposit with a bank that has not the power of issue. The public come to a bank they say in proportion to their confidence in the same, and you take away one great means of publishing the respectability of a bank if you take away the right of issuing notes. Judging, however, from the success of the

¹ The City of Glasgow Bank, with 133 branches, failed in October 1878. Its directors were tried before the Court of Session, and convicted for concocting and fabricating a balance sheet, purporting to represent certain facts, false and fictitious in themselves, and known by them to be so, with intent to defraud the members of the company and the public, and the uttering, publishing, and circulating the same, by which such members and the public were deceived and defrauded, by being thereby induced to retain the stock held by them, to acquire stock in the said company, and to deposit money in the bank to their great loss.

² Mr Coleman said 'The Western Bank first made advances upon produce, so as to become in point of fact the exporters. Next they made advances upon what were termed indents. Where a manufacturer received an order, he made out the value from an invoice, which was called an indent, and upon that the bank made advances to enable him to carry out the manufacture, he having engaged to give them the acceptances which he would receive from his customer. If the goods were sent abroad he would deliver to them the bills of lading. The bank then had the option of effecting the insurance themselves. They sent their bills of lading to their own agents abroad, through whom sales were made, and they received a merchant's commission upon the sales.'

London and many provincial joint-stock banks, which have no right of issue, the Scotch have yet something to learn in matters of banking enterprise. A practical monopoly so complete as that enjoyed for so many years by the eleven joint-stock banks, would not have been allowed to remain unchallenged in England.

The special feature of Scotch banking which is most prized by the people is the cash credit system. Nowhere, indeed, have bankers done more to assist honest industry, and to encourage the first start in an honourable and profitable career, than in Scotland. By their system of granting cash credit to any individual able to offer a satisfactory security, even if it be no more than the guarantee of two respectable householders, the Scotch banks have raised many a penniless struggler to a position of competence, ay, of absolute eminence. Benjamin Franklin with thoughtful benevolence devoted by his will 2,000*l.* to be laid out in loans to young industrious tradesmen of the cities of Boston and Philadelphia, whose moral character was such that there could be found at least two respectable citizens willing to become sureties in a bond with the applicant for the repayment of the money so lent, with interest. The Scottish system of cash credit is better than that. A hundred pounds borrowed from the Franklin Fund will bear interest on the full amount against the borrower from the moment it is lent to the moment it is repaid, and this, whether the loan or any part of the same is utilised or not. Moreover, in that case the whole sum must be returned or none, and once returned, no part remains available. There is no account current between the lender and the borrower, and in many cases a loan so contracted, instead of improving the circumstances of the borrower, really helps to reduce them. But on money obtained through a cash credit no interest runs, except on the portion of money taken and used, and then for such time only as the same is really utilized. By such means, all the benefits of credit in capitalising houses, furniture, ships, and even one's own character and ability, are fully realized, considerable convenience is afforded to small traders in allowing them to repay the money borrowed at their own time, and still more advantage is produced by enabling such to borrow direct from bankers at simple interest, instead of resorting to money-lenders, and paying double or treble for the accommodation. Part of the Scottish system of cash credit is doubtless put in practice in England also, in cases when bankers consent to open an account with a customer and honour his cheques to a certain amount, upon the recommendation and introduction of another customer. In England, however, this class of business is not courted by bankers, nor do they open such small accounts as Scotch bankers are in the habit of doing. Most of the loans granted by English bankers are on well-approved securities or title-deeds.

Fulfilling to the letter the definition that a banker is a trader in capital, Scotch bankers have always allowed a moderate rate of interest upon all moneys deposited with them, whether upon what are called deposit receipts or upon drawing accounts. In this manner Scotch bankers have succeeded in drawing to themselves all the surplus capital of the people. Well knowing that the very essence of a good system of banking is to gather small capitals together, so that they may be lent out again in large sums for the purpose of being applied to the increase of productive industry, and too well conversant with the Scottish character not to know that, without some inducement, the owners of capital would not willingly pass any surplus amount out of their hands, the banks are wise enough to offer a moderate rate of interest upon every sum, and in this manner they have succeeded in possessing a very large banking capital, larger in proportion than is held by English bankers. According to some able statistics of banking recently published by Mr. Palgrave, it seems that, whilst the aggregate amount of capital and deposits held by the Bank of England, the London and country joint-stock banks, and private banks, and even the leading discount houses, gave a proportion of 20*l.* per head of the population, the amount of the capital and deposits of the few Scotch joint-stock banks gave a proportion of 27*l.* per head of the population.

The history of banking in Ireland is more modern than that of England and Scotland, an attempt to establish a bank in Dublin at about the same time as when the Bank of Scotland was formed having failed from want of capital, or more probably from want of sufficient confidence in the stability of Irish institutions to encourage the investment of the same. It was not till 1783 that the Bank of Ireland was established, with a capital of 600,000*l.* Irish currency, slightly less in value than the English, and that, like the capital of the Bank of England, was entirely lent to the Government at 4 per cent., the charter providing that no banking partnership of more than six persons should be allowed to be established in the whole of Ireland. Here again we have an example of adherence to a narrow policy. Restriction and monopoly were as much sought for in 1783 as in 1695. Years had to pass before a better knowledge of the value of freedom began to be diffused in any part of the United Kingdom, and are we not yet labouring to a large extent under the same error? Whilst that monopoly lasted, any individual might have set up the business of a banker, though he had no more property than any simple mechanic. It was, in fact, a common practice for one such banker to get money from persons on the promise to discount his bills, which they cashed on his own notes, and when the bill became due, to endeavour to get it paid on the other notes. But what was the conse-

In 1804 there were fifty registered banks in Ireland, and nearly the whole of them failed at different times. The people suffered, but what did it matter, provided the Bank of Ireland maintained safely its own monopoly? It was not till 1824, when the Irish, having aroused themselves from their lethargy, and the merchants of Belfast having represented the evil of the system in the strongest possible manner, that a measure was introduced which authorised the establishment of banking companies at a distance of fifty miles from Dublin. And so the matter stood till the passing of the Bank Acts in 1845. The Irish banking system has much in common with the Scotch. There is a daily exchange of notes in Dublin, whilst in Edinburgh it takes place twice a week. There is nearly the same system of cash credits in Ireland as in Scotland, but, unlike the directors of English or Scotch banks, the directors of the Belfast banks are appointed permanently at a high salary, it may be 1,500*l.* a year, more or less, according to their standing, and they are precluded from entering into other business.

By the Bank Charter Act of 1845, especially affecting Scotland and Ireland, the power to issue notes in those countries was confined to those banks which were in the habit of issuing notes in the year preceding May 1, 1845. And the issue of each bank in Scotland and Ireland was fixed at the average amount of notes in circulation during the year ending at the same date, provided, however, that such banks might issue any amount of notes in excess of the legal issue, on condition of their holding gold in their coffers to cover the excess. Here are two very objectionable features. First, it was inexpedient to prohibit the establishment of any new banks of issue, and thereby to confer a decided monopoly on the existing banks. Had the principle of permitting but one bank of issue for the whole of the United Kingdom, or of admitting no other than a state issue, been acted upon, or were the same still in contemplation, there might be some justification for the maintenance of the present restriction. But with no prospect whatever of adopting either alternative, the limitation of the right of issue to the few banks which happened to be in existence on a certain day thirty years ago can scarcely be defended on any principle. Second, the obligation to keep gold within the coffers of the respective banks, to cover any excess above the authorised issue, is another decided grievance. It so happens, that some time in the course of the year, in consequence of certain regular payments falling due, the circulation in Scotland and Ireland is necessarily enlarged for a time beyond the ordinary amount. And what follows? Under the necessity of providing bullion, clerks are sent to London to fetch it from the Bank of England. The heavy cases are never opened, there being no extra demand for gold in Scotland or Ireland, but there they lie till the notes return, when the bullion is sent back to England untouched. What

folly does it seem to take away the gold from England, where it is absolutely wanted, often at the very season when the withdrawal of even a small amount is seriously felt, and is likely to produce a rise in the rate of discount, to send it to Scotland or Ireland, where it is not required, and thus incur a wasteful expenditure of time and money! Nor is such a system at all justified by the need of providing for the convertibility of the notes in Scotland or Ireland, for, apart from the security resulting from a careful administration, the regular exchange of notes, which takes place amongst Scotch bankers twice a week, and in Dublin every day, when all the notes issued must be taken back by the respective issuers, and, if any balance be due by any one bank, it must be paid by Exchequer bills or by a letter of credit in London, is quite a security against any excessive issue. Besides this, the very general practice in Scotland at least of keeping a banking account makes all the notes in circulation very speedily find their way into the banks, and it is not in the power of any bank to keep any part of the issue out for any time. Doubtless, the obligations imposed on Scotch and Irish banks not to issue beyond a limited amount, except upon bullion, is a security against over issue. But no over issue can long remain in circulation, and if it be intended thereby to prevent the necessity of realising the securities kept in London, experience has shown that in this respect it has had quite the opposite effect. Bad as is the case, however, with respect to the Scotch and Irish banks, it is still worse certainly as regards the English joint-stock banks, for, while the restriction with respect to Scotch and Irish banks was against any increase of their issue *on credit*, the English banks were precluded from extending their circulation under any circumstances, not even *with sufficient amount of gold on hand* to cover the excess. Can we wonder that when recently the Royal Bank of Scotland sought for power to establish a branch in London, which its charter did not appear to contemplate, the English country joint-stock banks petitioned the Chancellor of the Exchequer against the unfair treatment they received.³

The Bank Acts of 1844 and 1845 professed to establish certain

³ A committee of the House of Commons was appointed in 1875 to consider and report upon the restrictions imposed and privileges conferred by the law on Bankers authorised to make and issue notes in England, Scotland, and Ireland, respectively. But they had no time to prepare a report that session, and agreed to report the minutes of evidence to the House. Those who gave evidence were representatives of the Bank of Scotland, the Royal Bank of Scotland, the Union Bank of Scotland, the Clydesdale Bank, the Manchester and Liverpool District Bank, the National Provincial Bank of England, the Provincial Bank of Ireland, the Hibernian Bank, the Northern Bank of Ireland, the Bank of Ireland, the Association of English County Bankers, the London and Westminster Bank, Sir James Fitzjames Stephen, Q.C., Sir Henry Thring, Mr. Robert H J Palgrave, Mr. Kirkman D. Hodgson, M.P., the Deputy-Governor of the Bank of England, Mr. Bagehot, and others.

principles of currency and banking, but they only stereotyped what was in operation thirty years ago. They aimed at establishing one only bank of issue—they ended with recognising and perpetuating the rights of certain banks. They designed to place the issue of notes upon a metallic basis—they ended in leaving the largest amount based upon simplest confidence. Whilst professing to treat all bankers alike, they introduced differences in the contingencies arising from the cessation of any bank for which it is difficult to find a reason or an object. In Scotland, if two banks join, the united bank is allowed to issue the circulation of both. In England, if two banks join, the circulation of one is forfeited, and the united bank is only allowed the circulation of one. Beyond this, the law allows the circulation of one pound notes in Scotland and Ireland, and prohibits it in England. And then there are differences in the constitution and administration of banking companies in the three countries. In Scotland there is not now a single private bank. In England and Ireland the joint-stock and private banks are in open competition. In Scotland all the joint-stock banks are banks of issue. In England and Ireland there are many joint-stock banks without such right of issue. In Scotland all the joint-stock banks have branches all over the country. Not so those in England and Ireland, except, indeed, the London joint-stock banks. In England the Bank of England and several other banks allow no interest. In Scotland every bank allows it. In England Bank of England notes are legal tender. In Scotland and Ireland their respective Bank of Scotland and Bank of Ireland has no such privilege. It has, indeed, been proposed to constitute Bank of England notes legal tender in Scotland and Ireland as well, but it is very doubtful whether the Scotch and Irish would be agreeable to such a change, or if it would fulfil the purposes required in facilitating the operations of trade, or that it would help in maintaining a safe metallic circulation.

CHAPTER IV.

REPEAL OF THE CORN AND NAVIGATION LAWS.

The Anti-Corn Law League.—Sir Robert Peel's Policy.—A New Cabinet —
The Recall, and the Abolition of the Corn Laws —State of Ireland, and
the Potato Crop —The Potato Disease —Price of Wheat —Emigration —
Repeal of the Navigation Law

THE Anti-Corn Law agitation was one of those movements which, being founded on right principles, and in harmony with the interest of the masses, was sure to gather fresh strength by any event affecting the supply of food. It was popular to attempt to reverse a policy which aimed almost exclusively to benefit one class of society. It was well known that the League wanted to outset an economic fallacy, and that they wished to relieve the people from a great burden. And as time elapsed and the soundness of the principles propounded by the League at their public meetings was more and more appreciated, their triumph became certain, and her Majesty's Government itself began to see that it was no longer possible to treat the agitation either by a silent passiveness or by expressed contempt. The economic theorists had the mass of the people with them. Their gatherings were becoming more and more enthusiastic. And even amidst Conservative landowners there were not a few enlightened and liberal minds who had already, silently at least, espoused the new ideas. No change certainly could be expected to be made so long as bread was cheap and labour abundant. But when a deficient harvest and a blight in the potato crop crippled the resources of the people and raised grain to famine prices, the voice of the League acquired greater power and influence. Hitherto they had received hundreds of pounds. Now, thousands were sent in to support the agitation. A quarter of a million was readily contributed. Nor were the contributors Lancashire mill-owners exclusively. Among them were merchants and bankers, men of heart and men of mind, the poor labourer and the peer of the realm. The fervid oratory of Bright, the demonstrative and argumentative reasoning of Cobden, the more popular appeals of Fox, Rawlins, and other platform speakers, filled the newspaper press, and were eagerly read. And when Parliament dissolved in August 1845, even Sir Robert Peel showed some slight symptoms of a conviction that the

days of the corn laws were numbered. Every day, in truth, brought home to his mind a stronger need for action, and as the ravages of the potato disease progressed, he saw that all further resistance would be absolutely dangerous.

A cabinet council was held on October 31 of that year to consult as to what was to be done, and at an adjourned meeting on November 5 Sir Robert Peel intimated his intention to issue an order in council remitting the duty on grain in bond to one shilling, and opening the ports for the admission of all species of grain at a smaller rate of duty until a day to be named in the order; to call Parliament together on the 27th inst., in order to ask for an indemnity, and a sanction of the order by law; and to submit to Parliament immediately after the recess a modification of the existing law, including the admission at a nominal duty of Indian corn and of British colonial corn. A serious difference of opinion, however, was found to exist in the cabinet on the question brought before them, the only ministers supporting such measures being the Earl of Aberdeen, Sir James Graham, and Mr. Sidney Herbert. Nor was it easy to induce the other members to listen to reason. And though at a subsequent meeting, held on November 28, Sir Robert Peel so far secured a majority in his favour, it was evident that the cabinet was too divided to justify him in bringing forward his measures, and he decided upon resigning office.

His resolution to that effect having been communicated to the Queen, her Majesty summoned Lord John Russell to form a cabinet, and, to smooth his path, Sir Robert Peel, with characteristic frankness, sent a memorandum to her Majesty embodying a promise to give him his support. But Lord John Russell failed in his efforts, and the Queen had no alternative but to recall Sir Robert Peel, and give him full power to carry out his measures. It was under such circumstances that Parliament was called for January 22, 1846, and on January 27 the Government plan was propounded before a crowded House. It was not an immediate repeal of the corn laws that Sir Robert Peel recommended. He proposed a temporary protection for three years, till February 1, 1849, imposing a scale during that time ranging from 4s. when the price of wheat should be 50s. per quarter and upward, and 10s. when the price should be under 48s. per quarter, providing, however, that after that period all grain should be admitted at the uniform duty of 1s. per quarter. The measure, as might have been expected, was received in a very different manner by the political parties in both Houses of Parliament. There was treason in the Conservative camp, it was said, and keen and bitter was the opposition offered to the chief of the party. For twelve nights speaker after speaker indulged in personal recriminations. They recalled to Sir Robert Peel's memory the speeches he had made in

defence of the corn laws. And as to his assertion that he had changed his mind, they denied his right to do so. Mr. Colquhoun 'wondered that Sir Robert could say, "I have changed my opinion, and there is an end of it." But there was not an end of it. His right hon. friend must not forget the laws by which the words of men of genius—whether orators or poets—are bound up with them. His right hon. friend's words could not thus pass away. They were winged shafts that pierced many minds. They remained after the occasion which produced them passed away. His right hon. friend must remember that the words which he had used adhered to the memory, moulded men's sentiments, guided public opinion. He must recollect that the armour of proof which he had laid aside, and the lance which he had wielded, and with which he had pierced many an encumbered opponent, remained weighty and entire. Greatly did he wish that his right hon. friend were again on this side to wield them—that he were here to lead their ranks and guide them by his prowess. But if not, they retained at least his arms, these lay at their feet, strewed all around them, an arsenal of power.' Petulant remonstrances like these were of course of little avail. Sir Robert Peel and Mr. Cobden were ready to meet every challenge and to refute every argument with their unanswerable logic of facts. And when the Opposition endeavoured to throw all the responsibility of a measure of such a character on the prime minister, Mr. Cobden besought them to turn from the will of one individual to those laws economic and divine which seemed to impose the duty of laying wide open the door for the importation of food. 'Oh, then, divest the future prime minister of this country of that odious task of having to reconcile rival interests; divest the office, if ever you would have a sagacious man in power as prime minister, divest it of the responsibility of having to find food for the people! May you never find a prime minister again to undertake that awful responsibility! That responsibility belongs to the law of Nature: as Burke said, it belongs to God alone to regulate the supply of the food of nations. . . . We have set an example to the world in all ages; we have given them the representative system. The very rules and regulations of this House have been taken as the model for every representative assembly throughout the whole civilised world; and having besides given them the example of a free press and civil and religious freedom, and every institution that belongs to freedom and civilisation, we are now about giving a still greater example; we are going to set the example of making industry free—to set the example of giving the whole world every advantage of climate and latitude and situation, relying ourselves on the freedom of our industry. Yes, we are going to teach the world that other lesson. Don't think there is anything selfish in this, or anything at all discordant with Chris-

tian principles. I can prove that we advocate nothing but what is agreeable to the highest behests of Christianity. To buy in the cheapest market and sell in the dearest. What is the meaning of the maxim? It means that you take the article which you have in the greatest abundance, and with it obtain from others that of which they have the most to spare, so giving to mankind the means of enjoying the fullest abundance of earth's goods, and in doing so carrying out to the fullest extent the Christian doctrine of "Do ye to all men as ye would they should do unto you." The passing of the measure was, however, more than certain, and after a debate of twelve nights' duration on Mr. Miles's amendment, the Government obtained a majority of 97, 337 having voted for the motion and 240 against it. And from that evening the corn law may be said to have expired.¹ Not a day too soon, certainly, when we consider the straitened resources of the country as regards the first article of food, caused not only by the bad crop of grain, but by the serious loss of the potato crop, especially in Ireland.

Ireland has often grievously suffered from social and political wrongs, from absenteeism and repeal cries, from Protestant and Roman Catholic bigotry, from Orangeism and Ribbonism, from threatening notices and midday assassinations, but seldom has her cup of adversity been so brim-full as in 1845 and 1846 from the failure of the potato crop. Though comparatively of recent introduction, the first potato root having been imported by Sir Walter Raleigh in 1610, potatoes had for years constituted a large proportion of the food of the people of Ireland. A considerable acreage of land was devoted to that culture, and an acre of potatoes would feed more than double the number of individuals that can be fed from an acre of wheat. Such cultivation was, moreover, very attractive to small holders of land. It cost little labour. It entailed scarcely any expense, and little or no care was bestowed on it, since the people were quite satisfied with the coarsest and most prolific kind, called lumpers or horse potatoes. Nor was it the food of the people only in Ireland. Pigs and poultry shared the potatoes with the peasant's family, and often became the inmates of his cabin also. One great evil connected with potato culture is, that whilst the crop is precarious and uncertain, it cannot be stored up. The surplus of one abundant year is quite unfit to use in the next, and owing to its great bulk it cannot even be transported from place to place. Moreover, once the people become used to a description of food so extremely cheap, no retrenchment is possible, and when blight comes and the crop is destroyed there is no way of escaping the catastrophe of absolute starvation. This unfortunately was the case in 1822 and 1831. In those years public subscriptions were got up, king's letters

¹ 9 & 10 Vict. c. 22, suspended by 10 & 11 Vict. c. 1.

issued, balls and bazaars held, and public money granted. But in 1845 and 1846 the calamity was greater than any previously experienced.

The potato disease first manifested itself in 1845. The early crop, dug in September and October, which consists of one-sixth of the whole, nearly escaped; but the whole of the late crop, the people's crop, dug in December and January, was tainted before arriving at maturity. In that year there was a full average crop of wheat. Oats and barley were abundant, and turnips, carrots, and greens, including hay, were sufficient. Yet on the continent the rye crop failed, and the potato disease appeared in Belgium, Holland, France, and the west of Germany. On the whole the supply of grain was fair during the year 1845, and prices ruled moderately high. In 1846, however, the blight attacked the potatoes with even greater fury and suddenness in the month of July, and it attacked both the early crop and the people's crop, at the same time that the wheat crop proved under an average. Barley and oats were also deficient, and the rye crop again failed on the continent. In the previous year some counties in Ireland escaped the potato disease, but this year the whole country suffered alike. The loss was indeed very great. Probably 13,000,000*l.* was a low estimate, and from 4,000,000 to 5,000,000 quarters of grain at least would be required to replace it. As might be expected, the news of such a disaster had a fearful effect throughout the country, and the utter helplessness of many millions of people became a subject of the greatest anxiety.

As soon as the potato disease appeared in 1845, Government took the step of appointing Professors Kane, Lindley, and Playfair to enquire into the nature of the disease, and to suggest means for preserving the stock, but this was of little avail. Urged by necessity, the Government even stepped out of its province, and sent orders to the United States for the purchase of 100,000*l.* worth of Indian corn, established *dépôts* in different parts, and formed relief committees. But this was nothing compared with what became necessary to be done in 1846. Public works were then commenced on a large scale, giving employment to some five hundred thousand persons. The poor law was put in action with unparalleled vigour, so that in July 1847 as many as three millions of persons were actually receiving separate rations. A loan of 8,000,000*l.* was contracted by the Government, expressly to supply such wants, and every step was taken by two successive administrations, Sir Robert Peel's and Lord John Russell's, to alleviate the sufferings of the people. Nor was private benevolence lacking. The Society of Friends, always ready in acts of charity and love, was foremost in the good work. A British Association was formed for the relief of Ireland, including Jones Loyd (Lord Overstone), Thomas Baring, and Baron Rothschild. A Queen's letter was

issued. A day of general fast and humiliation was held, and subscriptions were received from almost every quarter of the world. The Queen's letter alone produced 171,533*l.* The British Association collected 263,000*l.*; the Society of Friends 43,000*l.*; and 168,000*l.* more were entrusted to the Dublin Society of Friends. The Sultan of Turkey sent 1,000*l.* The Queen gave 2,000*l.*, and 500*l.* more to the British Ladies' Clothing Fund. Prince Albert gave 500*l.* The National Club collected 17,930*l.* America sent two ships of war, the 'Jamestown' and 'Macedonian,' full of provisions; and the Irish residents in the United States sent upwards of 200,000*l.* to their relatives, to allow them to emigrate. But with all this, the people passed through a most eventful catastrophe. One-third of the people at least was reduced to destitution. A large number died by fever and pestilence. Such as could raise the requisite funds emigrated to America. Crowds of emaciated and famished people flocked by every available means to English ports. The rest were kept alive by employment on public works, by private local charity, by local subscriptions, by contributions from all parts of the world, and by the most extensive system of gratuitous distribution of food which history affords any record of.

The price of wheat and other grain did not rise much at first. Indeed, for a lengthened time but faint conception was entertained of any want of foreign grain. The potato failure was comparatively a new thing, and few imagined that it would act powerfully on the consumption of grain. In 1845 the average price of wheat was no more than 50*s.* 11*d.* per imperial quarter, it having risen from a minimum of 45*s.* 3*d.* in March to 58*s.* 10*d.* in November; whilst the average price of barley was 31*s.* 8*d.*, and of oats 22*s.* 6*d.* In 1846 also the average price of wheat was 54*s.* 8*d.*, the price having ruled first 55*s.* 6*d.*, falling to 46*s.* 3*d.* in August, and rising to 60*s.* 7*d.* in November, whilst the average price of barley was 32*s.* 8*d.*, and of oats 23*s.* 8*d.* But in 1847 a sudden great rise took place. The price of wheat rose from an average of 69*s.* 11*d.* in January to an average of 92*s.* 10*d.* in June; the price of barley was 50*s.* 2*d.* in January, 53*s.* 5*d.* in February, and 52*s.* 11*d.* in May and June; and oats, commencing at 29*s.* 6*d.* in January, rose to 34*s.* 2*d.* in June. In July, however, a sudden change took place by the concurrent action of large importations and excellent prospects of the approaching harvest. From June to December wheat fell from 92*s.* 10*d.* to 52*s.* 3*d.*, barley from 52*s.* 11*d.* to 30*s.* 9*d.*, and oats from 34*s.* 2*d.* to 21*s.* 10*d.* per imperial quarter. The importation of grain had never been so large as in this year. In former years 1,000,000 or 2,000,000 quarters were the maximum, but in 1846 the imports amounted to 4,752,174 quarters of grain and meal, and in 1847 to as much as 11,912,864 quarters, the greatest increase having taken place

from Russia and America. Then indeed the nation realised that the corn laws could not be maintained any longer. Our dependence on foreign grain became very great, and thankful indeed we were that by the wisdom and foresight of our legislators the last corn law and the navigation law were alike suspended, and our ports were opened to the supply of food from any quarter of the globe.

Another important consequence of the potato disease was an enormous stimulus to emigration, especially from Ireland. Great is the change in the state of public opinion and law as respects emigration. In olden, yet not very remote times, an absolute prohibition existed against the departure of artisans from this country, and the departure of hundreds and thousands of families from our shores in quest of happier homes and more fruitful sources of industry would have been regarded as a dire misfortune. Now, whole fleets of emigrant ships, carrying away many of the ablest and most industrious of our working population, excite not a murmur of complaint nor any feeling of sorrow. And why? Because we feel that emigration is in accord with the law of Nature, which is always foreseeing and beneficent. Even savages are impelled by their economical condition to be always moving in quest of food, and as civilisation is constantly creating new wants, so an impulse is given to migrations from place to place. Sometimes the point of attraction is a great centre of industry and manufacture; sometimes the surplus labourers of such centres of industry find their way to the virgin soil of still unpeopled states; and sometimes religious and political dissensions are the causes of great emigration. But motion is the law of human society, and endless processions are always moving, now from south to north, and anon from north to south; at one time from west to east, and at another from east to west. As for this country, the constant alternation of times of prosperity and distress in commerce and manufactures renders it the more necessary for our working people to have other outlets for their industries than are afforded within these circumscribed islands, and it is fortunate that the colonies are ever open for the employment of any number of labourers. As early as 1826 and 1827, the subject of emigration engaged the attention of the House of Commons, and their recommendation was that emigrants should be settled upon land granted by the state, and that whatever fund be advanced for their benefit should be subject to repayment. In 1831 a Royal Commission inquired into the subject, and whilst it did not approve of any direct grant of money for emigration to Canada and other North American colonies, it recommended that as respects New South Wales and Van Diemen's Land the proceeds of public land sold should be devoted, as loans of 20*l.* and upwards, towards the passage money of families of mechanics and agricul-

tural labourers, and as bounties of, and towards the conveyance of, young unmarried females. This recommendation was subsequently adopted, and carried out by the Colonial Office, and then a loan for the Australian emigrants was converted into a free gift and increased to 30%, the bounty to single females being also increased to 30%. But notwithstanding these encouragements, the emigration from the United Kingdom continued very limited for a long time. For sixteen years, from 1815 to 1830, the average number of emigrants was only 23,000 per annum, most of whom went to the North American colonies and the United States of America. From 1831 to 1840, the average number of emigrants increased to 70,000 per annum, Australia then commencing to attract great attention, and from 1841 to 1846 the average still further increased to 100,000. But in 1847 and subsequent years the stream of emigration flowed in a most rapid manner. Ireland sent forth the greater part of her labouring population, and in the decennium from 1847 to 1856 the number of emigrants actually increased to 280,000 per annum. It was a pitiful sight to see those crowds of worn-out Irish embarking in rags and penniless for a foreign shore. But they went away from a place of sorrow and suffering to a country which seemed to offer a boundless field for the exercise of honest industry. Nor was the benefit of emigration limited to the emigrants themselves. The advantage was quite as great to the mother country. Here they added nothing to national wealth. They constituted the mortified part of the social system which needed amputation. There, they not only ceased to trench upon the labour of others, but, after providing food for themselves, they became large customers for our produce and manufactures.

Ere we pass from the repeal of the corn law and its consequences, reference must be made to an achievement certainly not less important in relation to the economic policy of the country, the repeal of the navigation law. In 1845 these laws were consolidated, and it seemed as if they were to continue for many a year in existence, but the necessity for suspending their operation in 1846 and 1847, and the progress of public opinion in matters of free trade, suggested an inquiry into the operation and policy of such laws in 1847. Of that Committee Mr. Milner Gibson was chairman, and during the year they published five reports on the subject, containing valuable evidence tending to show the objections to such laws and the injury which they caused, notwithstanding their restricted operation, a large portion of the trade being no longer protected by them. Evidence was given to the effect that, looking to the geographical position of this country and to the peculiar energy of her people, the extent of her trade, her great capital, and her success in maritime enterprise, there need be no limit to the prosperity of her shipping were it not for the restric-

tions and unnecessary charges imposed on it by the Navigation Act, the Registry Act, and several other acts. It was urged that if we could reduce the cost of ships, and consequently of freights, we should increase trade to an enormous extent; that the immense traffic which railways occasioned in this country was the strongest proof that cheap conveyance on the sea would be attended with similar results, and that we should not only obtain a much larger quantity of goods than have hitherto come to market, but that we should find new exchangeable commodities which did not then come here; that we should bring the timber of India or Australia at half its present cost; and that we should carry on the fisheries to a much greater extent, and be enabled to increase every branch of industry in this and other countries to a very large extent. Shipowners certainly prognosticated all manner of evil likely to arise from the repeal of the navigation laws. They warned the nation that such laws had raised it to the station it held, and that without them it would as rapidly go down as it had risen. They were certain that the repeal of such laws would reduce shipping property fully 30 per cent. in value, and introduce the cheap navigation of other countries in competition with the costly navigation of this country, and that, despairing of success, the British shipowner must retire from the contest. Really, however, the advocates of the navigation laws had little to say in their favour based on substantial facts. The Committee made no report in 1847, but the general impression was that the repeal of such laws would benefit trade, and that the necessity for action had become imminent.

Accordingly, in 1848, as soon as public attention could be given to the subject, Mr. Labouchere, in committee of the whole House, moved a resolution to the effect: 'That it is expedient to remove the restrictions which prevent the carriage of goods by sea to and from the United Kingdom and the British possessions abroad, and to amend the laws regulating the coasting trade of the United Kingdom, subject, nevertheless, to such control as may be necessary, and also to amend the laws for the registration of ships and seamen.' But a concerted opposition was made to such proposition, and Mr. Herries moved a counter resolution: 'That it is essential to the national interest of the country to maintain the fundamental principles of the navigation laws, subject to such modifications as may be best calculated to obviate any proved inconvenience to the commerce of the United Kingdom and its dependencies, and without danger to our national strength.' The discussion was long and animated, and the two opposing views were fully enforced and illustrated, but it ended, as might have been expected, in the defeat of Mr. Herries's amendment by a majority of 294 against 177. But the session was lost, and the subject had to be deferred to another year. Again, however, in 1849 Mr.

Labouchere proposed the same resolution, only adding that provision should be made giving power to the Queen in council to re-enact these laws, wholly or in part, with regard to any countries as to which the Government might think fit that they should be preserved. Power was given to him to bring in a bill, and it was read a second time by a majority of 266 to 210. As originally proposed the bill was intended to throw open the coasting trade as well as the foreign trade, but the Government of the United States having notified their refusal to reciprocate this concession, and some objection having been raised by the department of customs because of the difficulty of enforcing effectual regulations to guard the revenue from danger, the clauses relating to the coasting trade were withdrawn, and the bill passed into law.² But even the restriction of the coasting trade was ultimately relinquished, and both the navigation on the coast of the United Kingdom and the manning of British ships were left entirely free.³

² 12 & 13 Vict c. 29.

³ 16 & 17 Vict c. 107, and 17 & 18 Vict. c 120

CHAPTER V.

RAILWAY ENTERPRISE.

Accumulation of Capital.—Railway Investments —Rise in the Price of Railway Shares.—Economic Advantages of Railway Rates of Carriage.—Moral and Social Effects of Railways —Progress of Railways

A LONG period of peace and the improvement of manufacture and commerce was conducive to a large increase of wealth in the United Kingdom. In 1814 the capital subject to legacy duty was 27,290,000*l.*; in 1844 it was 46,533,000*l.* Mr. Porter estimated the personal property of the country in 1814 at 1,200,000,000*l.*, and in 1834 at 1,800,000,000*l.* On the same calculation, in 1844 it was estimated at 2,250,000,000*l.* The income tax on land in 1815 was assessed at the value of 49,660,000*l.*; in 1843 at 80,519,000*l.* Mr. Wilson, in his work on 'Capital, Currency, and Banking,' estimated that the annual accumulation of property in the United Kingdom, between 1840 and 1845, could not be less than sixty millions sterling. And though a large portion of such saving was required in the numerous branches of industry for their own improvement and extension, there was at that time a large surplus of capital in quest of promising employment. In truth, capital in England ordinarily increases more rapidly than the means of safe and profitable employment; and, consequently, from time to time a great competition arises between the owners of capital for the means of investing their surplus stock.

Such competition for investment was offered by railway enterprise in 1845–46. From 1801 to 1825 twenty-nine Acts of Parliament were passed authorising the companies to raise 1,263,000*l.* in capital and loans. From 1826 to 1835 the number of Acts so passed was ninety-five, authorising the raising of 19,000,000*l.* in capital and loans. The Eastern Counties Railway was sanctioned in 1834; the London and Southampton, afterwards the London and South-Western, in 1834; the Great Western Railway Company's Bill received its sanction in 1835. At first it was not intended to give to the railway companies the monopoly of the lines; but it was soon found that no competition was possible, and the mail coaches one by one disappeared. In 1838 the mails began to be sent by railway. In that year there were 490 miles of railway open in England and Wales, and 50 miles in Scotland, constructed

at a cost of 13,300,000*l.* From 1836 to 1843 the number of Acts passed was 179, and the amount of capital and loans authorised was 60,000,000*l.*, and in the latter year the number of miles authorised was 2,036. In 1844 greater activity was shown. The number of Acts passed was 26, involving the investment of 14,793,000*l.*; and again, in 1845, not fewer than 109 Acts were passed, authorising the raising of 59,613,000*l.*

But all this was greatly exceeded in 1846, when a perfect mania existed for railway speculation. In that year 1,263 schemes were launched, involving an expenditure of 560,000,000*l.* All England and nearly all Scotland was mapped out for railways, and an unlimited enthusiasm prevailed for the new method of communication, under which shares, stocks, and scrip were traded or gambled in, in the most reckless manner. The Legislature itself must have been led to expect that railway enterprise would realise enormous profits, since in 1844 provision was made that if the clear annual profits should amount to 10 per cent. on the paid-up capital of any railway authorised, at the end of twenty-one years from the passing of the act sanctioning the line, the Lords of the Treasury might revise the tolls, fares, and charges, so as to reduce the dividend to 10 per cent.

As an evidence of the way in which the spirit of speculation tended to produce fictitious wealth it may be noticed that the Midland stock, amounting to 4,180,000*l.*, was increased at its selling price to about 7,000,000*l.*; the Great Western shares, issued for 8,168,000*l.*, were worth in the market 13,500,000*l.*; and the Manchester and Leeds shares, the capital of which was 4,600,000*l.*, at their increased prices represented a capital of upwards of 8,000,000*l.*¹ The Leeds and Thirsk Railway 50*l.* shares, with 2*l.* 10*s.* paid, were selling in March at 3*l.* 10*s.*, and in September at 23*l.* 15*s.* The Bolton, Wigan, and Liverpool 40*l.* shares, with 4*l.* paid, were worth in January 4*l.* 10*s.*, in September 42*l.* 15*s.* Princely fortunes were thus speedily created and lost, and the people became wild with a market so excited. What rigging of the market, what abortive schemes, and what frauds! How could a frenzy like this fail to bring about its own retribution?

Nor was the impulse to railway speculation confined to this country. On the Continent of Europe and in the United States of America, everywhere, the same eagerness was shown. In 1845

¹ The fluctuation in prices of the three leading lines may be seen from the following facts.—

—	July, 1844		July, 1845		July, 1846		July, 1847		July, 1848	
	Price	Paid	Price	Paid	Price	Paid	Price	Paid	Price	Paid
Great Western	£ 70	£ 125	£ 80	£ 205	£ 85	£ 150	£ 85	£ 117	£ 90	£ 87
London and Birmingham	100	218	100	243	100	225	100	188	100	121½
Midland Stock	100	95	100	187	100	151	100	130	100	101½

Belgium had already 343 miles of railways, at a cost of 5,872,000*l.*; France 552 miles, at a cost of 10,232,000*l.*, with projects and authority for 1,900 miles more, involving an expenditure of 30,000,000*l.* additional. Germany had 2,000 miles of railway, made at a cost of 15,500,000*l.*, and 2,300 miles more were authorised. And the United States of America had completed 3,688 miles, at an expenditure of 17,702,000*l.*, and in construction 5,624 miles, involving an expenditure of 26,995,000*l.* Here then was an abundant outlet offered for any surplus capital. There was a peculiar feature, however, in this new mode of investment, that it took away a large amount of capital available for the work of trade and manufacture, technically called 'floating capital,' to be employed in plant, rail, and other forms of 'fixed' capital, the consequence of which was to increase largely the price of loanable capital, or in other words to raise the rate of discount, and thereby to produce a crisis. The result of the railway speculation was on the one hand greatly to increase the liabilities or commitments of the country for capital, and on the other to diminish that portion of capital in the money market most necessary for purposes of commerce.

But the rage for speculation was carried too far. Whatever foundation there might have been for the extension of railways, the prospects of profits had been greatly exaggerated, in consequence of the greatly increased expenditure in expenses for getting the acts, for land compensation, and also from the severe competition which ensued by the construction of duplicate lines and the undue or too sudden addition of branches. Add to this that the removal of so much capital from floating to fixed—that is, from the ordinary employment for commerce and manufactures to the construction of roads, in plant, rail, and other forms not capable of returning into general use—and we need not be surprised if a crisis ensued which threw to the wind many a bubble project, and brought railway property down to more reasonable proportions in relation to its real worth.

Apart from all speculation, the railway was working a moral reformation in the country. At the close of the last century the internal transport of goods was so very slow and expensive as to prevent the transport of all goods except manufactured articles or goods of light weight, which could bear a high rate of transport. Not many articles could well stand a charge of 40*s.* a ton from Liverpool to Manchester, and 13*l.* a ton from London to Leeds. Heavy goods and minerals were transported by sea only, and many of the richest districts of the country remained unproductive, awaiting the tardy advancement of the art of transport. When the railway was introduced, all this was changed. By the facility afforded for passenger traffic, and by the certainty and rapidity of conveyance of goods, however burthensome and heavy, the resources

of the country were being developed in an extraordinary manner.² Districts hitherto secluded and unknown were found to possess advantages for commerce and industry which the inhabitants themselves had never dreamt of. An immense economy of capital and labour was the necessary attendant of such a change in locomotion. A man could do more in one day than he could have done formerly in three or four. The merchant could look for his returns in much less time than he had been in the habit of receiving them. Altogether the nation saw that the railway system was a wonderful engine of material progress, and it became evident that every town of any importance, and every district possessing either agricultural or mineral wealth, must sooner or later have its railway.

The influence of railways on the material and moral interests of the United Kingdom has indeed been very considerable. Agriculture gained immensely by the easy and more economic transport of manure, cattle, sheep, and farm produce. A piece of land was recently considered quite unproductive. A railway went near it, and immediately a bed of asparagus was planted, which, being rendered available for the London market, raised the value of the land to 10% an acre. A railway was recently constructed in the highlands of Scotland, and forthwith their enormous woods were rendered most valuable. As an example of the way in which the railway benefits the farmer and increases public wealth, see how it acts on the transport of fat stock to the London market. For-

² The economy of railway transport as compared with carriers and canals will be seen by the following facts —

BRISTOL TO LONDON—RATES PER TON.

Articles	Rates charged by Carriers			Rates charged by Railway
	1820	1830	1840	1879
	<i>s</i> <i>d</i>	<i>s</i> <i>d</i>	<i>s</i> <i>d</i>	<i>s</i> <i>d</i>
Drapery . . .	66 0	60 6	47 6	40 0
Hops . . .	68 0	63 0	49 6	35 0
Oil . . .	60 6	47 0	42 0	20 0
Tobacco . . .	66 0	66 0	47 6	27 6

BIRMINGHAM TO LONDON—RATES PER TON.

Articles	Canal		Railway
	1836	1842	1879
	<i>s</i> <i>d</i>	<i>s</i> <i>d</i>	<i>s</i> <i>d</i>
Hardware . . .	60 0	40 0	30 0
Sugar . . .	40 0	37 6	22 6
Tallow . . .	35 0	30 0	22 6
Drapery . . .	70 0	45 0	40 0
Glass, declared at owner's risk . . . }	70 0	—	28 4

merly, when several days were occupied in driving to London, a sheep was found on the average to have lost seven pounds weight, and bullocks twenty-eight pounds. This difference in weight was waste, entirely lost to everybody. Now nearly the whole amount finds its way into the market, as the stock is put into the trucks in the morning, and reaches London in the afternoon, without fatigue.

In former days it was necessary that the metropolis should be near a river, for facility of communication, as London on the Thames, Rome on the Tiber, Paris on the Seine. But now London is no longer dependent on the river for provisions. Coals arrive by land as well as by sea. Until the opening of the Great Northern Railway coals came almost exclusively by sea, and prices in London varied considerably in summer and winter. Now coals are carried by land. From the colliery siding in the West Riding of Yorkshire to King's Cross, London, a distant of 186 miles, coals are carried at 8s. 3d. per ton in owners' wagons, inclusive of 1s. 1d. per ton city dues. If carried in the railway company's wagons 9d. per ton extra is charged. The railway brings meat daily from Aberdeen, fish from Yarmouth, and farm produce from all parts of the country, nay, even from the Continent. If free trade has done much for the increase of commerce, the railway has done more, in enabling England to supply all nations with her produce and manufactures. Look at the enormous saving of time the railways produce in the transit of merchandise. Millions were formerly lying idle, locked up in the roads, which are now at once liberated for other uses. In days gone by it took a long time to negotiate a business, whether personally or by correspondence. Now it is done in a few moments. Whole cargoes of merchandise are bought and sold by telegram. The saving of time and expense attained by railway travelling is something extraordinary. And so are facilities the railway affords in the carriage of goods. Where could we find horses sufficient to carry the 212,000,000 tons of coals and goods, and the millions of cattle and sheep? A horse can at most work eight hours a day; an engine may work twenty-four hours. And think of the saving in the cost of transport by steam as compared with horse power. In every way the material interests of the country have been immensely promoted by railways. And what of morals and intelligence? Look at the enormous number of newspapers sold at all railway stations. See how many volumes are sold and read! What railway literature has been put forth! What habits of punctuality have been introduced! Who, indeed, can estimate the benefit to mind and intelligence derived by the millions who traverse the length and breadth of the land? A railway carriage full of people is a great school, and we need not be philosophers or moralists in order to learn many a solid lesson from the flow and

ebb of human life passing before us as we move from station to station. And do not the railways subserve many a purpose of love and mercy? How speedily may an absent member of a family proceed to perform the last act of affection to a dying relative! How prompt may be the relief in case of disaster! How much are the bonds of friendship and relationship cemented by the visits of friends whom business and fate keep distant from one another! For thousands of benefits—economical, social, and political—we are indebted to the railways. But for them no British Association, and no Social Science Congresses, would ever have been held. But for them no international exhibitions of art and industry could have been celebrated. Civilisation owes to them one of its main incentives, and by them knowledge and science are making enormous conquests.

PROGRESS OF RAILWAYS—UNITED KINGDOM.

Year	Number of Miles open	Number of Passengers	Tonnage of Minerals and Merchandise	Amount of Capital expended
			Tons	£
1843	2,081	23,466,896	—	—
1851	6,890	85,391,095	—	244,240,897
1861	10,869	173,721,139	94,243,327	362,327,398
1871	15,376	375,220,754	169,360,698	552,661,551
1878	17,335	545,126,000	177,746,567	698,545,154

CHAPTER VI.

THE COMMERCIAL CRISIS OF 1847.

Regularity of Crises.—Supposed Influence of the Bank of England.—Rise in the Rate of Interest.—State of the Cotton and Iron Trades.—Tightness of the Money Market.—Alarm in the City.—Suspension of the Bank Charter—Inquiries on the Operation of the Bank Charter Acts.

COMMERCIAL crises and panics seem to follow a given law. Trade seems to run in cycles of seven or ten years. We had panics as near as possible in 1797, 1807, 1817, 1826, 1837, 1847, 1857, 1866, the number seven, the golden number, being a fatal year apparently. But we need not be surprised. Times of prosperity are often succeeded by times of adversity. Under the influence of steady success, years glide on, and we are flushed with prosperity. A crisis comes, and we must retrace our steps. Experience, then, teaches caution, and under its wise guidance courage revives, but we speedily return to a state of indiscretion, and a fall is certain to succeed. But what is the cause of this alternation of ups and downs? Many are the theories that have been suggested regarding them. According to some, the Bank of England is the cause of all mischief. Whoever follows the majority of the speeches and opinions expressed with reference to currency, cannot fail to see that the directors of the Bank of England were generally supposed to enjoy the great privilege of acting as conservators of the currency and regulators of the money market. In their opinion it is the Bank that capriciously regulates the rate of interest; the Bank that makes money scarce or abundant; the Bank that applies the screw; the Bank that loosens it. Yet such a notion is absolutely erroneous. Very limited, indeed, is the power of the Bank. It is not the Bank that makes money scarce or abundant. It is not in the power of the Bank to keep any amount of notes in circulation for any time. It is not the Bank that creates speculation; it is not the Bank that can arrest it. The economic laws which regulate the issue of notes are more powerful than any caprice of Bank directors, and prove in reality of much more salutary control than any legislative restriction.

Nothing could have been more carefully devised than the Bank Charter Acts of 1844 and 1845. It was clearly the intention

of Sir Robert Peel that they should prevent the panics and pressures which so often spread alarm and confusion in the mercantile world. And yet how fruitless have they proved, at least for that purpose. Scarcely two years elapsed after the passing of the acts when another panic took place, exceeding in intensity and duration any yet experienced. When the Bank Charter Act passed in 1844 capital was abundant, so much so that in September 1844 the rate of interest fell from 4 per cent. to $2\frac{1}{2}$ per cent. for bills at short, and 3 per cent. for bills at long, dates, and in 1845 the rate fell to $2\frac{1}{2}$ per cent. for bills and notes. Consequently there was considerable speculation in railway and much animation in every branch of business. Still the amount of bullion in the Bank was on the increase, and in the week ending August 29, 1846, it reached the enormous sum of 16,000,000*l.* By that time, however, the failure of the potato crop, and the consequent need of a large importation of corn, manifested themselves, whilst an extraordinary excitement prevailed in the railway share market, and the Bank raised the rate of interest to 3 per cent. It would have been better had the Bank at once raised the rate of discount still higher. But it did not do so till January 1847, when, bullion and reserve having considerably diminished, the rate was raised first to $3\frac{1}{2}$ per cent., and soon after to 4 per cent. Considerable alarm then commenced to be felt, and on April 8 the Bank increased the rate of discount to 5 per cent., without naming that it would be charged only on bills having no more than 60 days to run, and that much higher rates would be charged for long-dated paper. The state of the circulation, and the reserve at this critical time, will best be seen in the annexed diagram.

What was the effect of this increased tightness of the money market on speculation may well be imagined. As it became more and more difficult to provide funds to meet the heavy calls for railway purposes, the value of shares fell fearfully, causing heavy losses to all who held them. Gradually the alarm and anxiety spread to the various branches of trade. The cotton trade, which had been for a year or two in a feverish condition, owing to the shortness of the American crop, suffered immensely. Up to 1845 cotton was at a low price, fair Uplands ranging at between $4\frac{1}{2}$ *d.* and $4\frac{3}{4}$ *d.* per lb., and closing in December at $4\frac{1}{4}$ *d.* In 1846 prices remained low till the end of March, but with gradually declining stocks, with bad accounts of the crop from the United States, and an improving condition of trade, the price rose to $7\frac{1}{4}$ *d.* in December. Towards the close of January 1847, however, a fall in the price of yarns and goods began, and raw cotton receded in April to $6\frac{1}{2}$ *d.* From this point cotton rallied, and in July it reached $7\frac{3}{4}$ *d.* But soon after, as the money market became tight and the rate of interest rose to 8 per cent., a panic set in, and by gradual falls the price fell at the end of the year to $4\frac{3}{4}$ *d.* per lb. The American cotton crop in 1846-47

was 1,778,000 bales against 2,100,000 bales in 1845-46. The imports of cotton were, 1845, 6,446,250 cwts.; 1846, 4,177,288 cwts.; 1847, 4,238,261 cwts. Considerable speculation had taken place in pig-iron, makers selling large quantities of pig-iron for future delivery, and prices went down from 5*l.* to 3*l.* per ton. The price of railway iron in Wales (Cardiff and Newport) was, 1843, 6*l.* 9*s.* 4*d.*; 1844, 6*l.* 14*s.* 3*d.*; 1845, 10*l.* 15*s.* 10*d.*; 1846, 10*l.* 6*s.* 8*d.*; 1847, 9*l.* 0*s.* 4*d.*; and 1848, 6*l.* 2*s.* 10*d.* The price of bar iron began to rise in April 1844, at which period it rose to 5*l.* 10*s.* in Liverpool. In January 1845 it was 6*l.* 10*s.*; in March, 10*l.*; in April, 9*l.*; and it averaged for the remainder of the year, 8*l.* 10*s.* In 1846 and 1847 it averaged 9*l.* 2*s.* 6*d.* per ton. In 1848 it commenced at 8*l.*, and gradually fell to 5*l.* 5*s.*, making the average for the year 6*l.* 11*s.* 8*d.*

The price of corn was very high in 1847, the average in May being 92*s.* 10*d.* per quarter, but the imports rose in proportion. In the three years from 1845 to 1847 they were as follows:—

—	1845	1846	1847
	Cwt.	Cwt.	Cwt.
Wheat	3,777,410	6,207,894	11,511,305
Wheat Meal and Flour . . .	945,864	3,190,429	6,329,058
Barley	1,315,550	1,324,432	2,759,582
Oats	1,623,784	2,170,682	4,690,697
Maize	241,667	3,024,883	15,464,194
Rye	1,802	7,300	285,099
Peas	377,730	956,781	709,281
Beans	791,404	1,093,059	1,901,464

The corn merchants, who for some time had great difficulty in obtaining advances upon cargoes in consequence of the high rate of discount, lost immense sums from the great fall in prices which took place, owing to the prospect of an abundant harvest. And the result was the failure of many houses in the corn trade, which became the signal for other heavy bankruptcies. Several banks succumbed, and credit was severely shaken. It being impossible for the London bankers and discount brokers to meet the demand of their customers, they were obliged to resort to the Bank of England. Money was hoarded to a considerable extent. Consols fell to 85, and everything seemed to indicate an approaching national bankruptcy.¹

In July 1847 the merchants and bankers of the City of London petitioned for an immediate remedy. They complained that they were suffering under a monetary pressure without precedent, that there was a complete suspension of the ordinary facilities for busi-

¹ In the evidence given before the Committee on the Bank Acts in 1858 it was stated that in 1847 the majority of the houses that failed were of old standing, originally most legitimate and respectable, but that at a later period of their existence they got into a vicious system of credit.

ness, that they could no longer discount legitimate commercial bills, and that all monetary accommodation was withheld. They stated that the panic was not caused either by any undue extension of commerce, or by a spirit of speculation. But that whereas in former times the Bank of England had the power of continuing facilities to commerce until trade was restored, at this time the Bank of England, in consequence of the Bank Charter Act, could give no facilities whatever. In conclusion, the London merchants petitioned the House that a relaxing power should be lodged with the Exchequer, and that the Bank should have power to issue notes on silver bullion without restriction. No step was, however, taken in Parliament, and matters grew worse and worse. Under such circumstances, a deputation of Liverpool merchants waited on her Majesty's ministers, and presented a memorial warning the Government that unless some relief was afforded many merchants of undoubted respectability and absolutely wealthy would be compelled to suspend payment. Still the Government refused to move. At last a deputation of London merchants waited on the Government on Saturday, October 23, and made a statement which convinced the Prime Minister that the time had arrived when the restrictions of the Bank Charter Act must be removed. A promise was then and there given that relief would be afforded, and the deputation retired, convinced that on that very day greater accommodation would be granted to the public.

A Cabinet Council was thereupon held at Lord John Russell's house, on the Sunday following, and on the 25th the following letter was issued :—

Downing Street, October 25, 1847.

Gentlemen,—Her Majesty's Government have seen with the deepest regret the pressure which has existed for some weeks upon the commercial interests of the country, and that this pressure has been aggravated by a want of that confidence which is necessary for carrying on the ordinary dealings of trade.

They have been in hope that the check given to transactions of a speculative character, the transfer of capital from other countries, the influx of bullion, and the feeling which a knowledge of these circumstances might have been expected to produce, would have removed the prevailing distrust.

They were encouraged in this expectation by the speedy cessation of a similar state of feeling in the month of April last.

These hopes have, however, been disappointed, and her Majesty's Government have come to the conclusion that the time has arrived when they ought to attempt, by some extraordinary and temporary measure, to restore confidence to the mercantile and manufacturing community.

For this purpose they recommend to the directors of the Bank of England, in the present emergency, to enlarge the amount of their discounts and advances upon approved security; but that, in order to

retain this operation within reasonable limits, a high rate of interest should be charged.

In present circumstances they would suggest that the rate of interest should not be less than 8 per cent.

If this course should lead to any infringement of the existing law, her Majesty's Government will be prepared to propose to Parliament, on its meeting, a bill of indemnity. They will rely upon the discretion of the directors to reduce, as soon as possible, the amount of their notes, if any extraordinary issue should take place, within the limits prescribed by law.

Her Majesty's Government are of opinion that any extra profit derived from this measure should be carried to the account of the public, but the precise mode of doing so must be left to future arrangement.

Her Majesty's Government are not insensible of the evil of any departure from the law which has placed the currency of this country upon a sound basis; but they feel confident that in the present circumstances the measure which they have proposed may be safely adopted, and at the same time the main provisions of that law, and the vital principle of preserving the convertibility of the bank note, be firmly maintained. We have, &c.,

(Signed)

J. RUSSELL,
CHARLES WOOD.

The Governor and Deputy-Governor of the Bank of England.

By the issue of this letter a better spirit was imparted to trade, and the panic was at an end. The improvement was produced, however, not so much by any immediate issue of notes, as by the assurance thereby afforded that accommodation might now be obtained. This, as Mr. Glyn stated, 'produced the same effect as if the Bank of England had made an issue, because it brought out the hoards of notes and they went into circulation.' Thus the letter practically added to the circulation of the country, and removed the cause of the panic. And it is singular that although the Treasury letter authorised a departure from the limits imposed by law, no extra issue did ever take place.

In November Parliament was called together, and the first question discussed was the position of the Bank of England, and the appointment of Committees of both Houses to inquire into the causes of the recent commercial distress, and how far it had been affected by the laws for regulating the issue of bank notes payable on demand. The discussion itself was not of great importance, except as eliciting the opinion of Sir Robert Peel as to the effect of his measure on the crisis, and certainly his speech throws great light on the relation of the Act of 1844 to that of 1819. The Committee of the House of Commons consisted of the Chancellor of the Exchequer, Sir Robert Peel, Mr. Cobden, Mr. Herries, Mr. Cayley, Mr. Labouchere, Mr. Disraeli, Mr. Glyn, Mr. Home Drummond, Sir James Graham, Mr. Thomas Baring, Lord George Bentinck, Mr. Beckett, Mr. Alderman Thompson, Mr. Hudson,

Mr. J. L. Ricardo, Mr. James Wilson, Mr. F. T. Baring, Lord John Russell, Mr. Spooner, Mr. Goulburn, Mr. Cardwell, Mr. Hume, Mr. Thornley, Sir William Clay, and Mr. Tennent, and after a searching inquiry, it reported that there was a concurrence of opinion amongst the witnesses that the primary cause of the distress was the deficient harvest, especially of the potato crop in 1846, and the necessity for providing the means of payment in 1847 for the unprecedented importation of various descriptions of food which took place in that year. Among other causes, the deficient supply of cotton, the diversion of capital from its ordinary employment in commercial transactions to the construction of railroads, the undue extension of credit, especially in our transactions with the East, and exaggerated expectations of extended trade, were stated as having contributed to the same result. The Committee commented on the conduct of the Bank of England, and concluded by stating that they had under their consideration, whether it was advisable that powers should be conferred by law upon the Government to enable them to meet the advent of circumstances which might call for extraordinary interference, but that they came to the conclusion that, looking to the impossibility of foreseeing what the precise character of the circumstances might be, it was more expedient to leave to those with whom the responsibility of the Government might rest at the time, to adopt such measures as might appear to them best suited to the emergency. The Committee, therefore, after a careful review of all the evidence, were of opinion that it was not expedient to make any alteration in the Bank Act of 1844. But this resolution was arrived at by a very slender majority. Mr. Hume moved, 'That, in the opinion of this Committee, the laws for regulating the issue of bank notes payable on demand have aggravated the commercial distress in England in the year 1847,' and the motion was lost by eleven members voting in the affirmative and thirteen in the negative. Nearly every paragraph of the report originally prepared by the Chancellor of the Exchequer met with strong opposition, and was the subject of a division.

The Committee of the House of Lords in their report entered at much greater length into the operation of the Bank Charter Act. After examining into the causes and extent of the distress of 1847, and the effects of the Treasury letter of October 25, the report went on to show that the principle of the Bank Act requiring that the efficiency of the circulation should be identical with its money amount is erroneous, because it depends on many other circumstances, such as the rapidity of circulation, the number of exchanges performed in a given time, as well as upon its numerical amount; and that, moreover, such a rule is inapplicable to periods of favourable and of adverse foreign exchange. The Committee dwelt on the increased fluctuations in the rate of discount since

the passing of the Act of 1844; criticised the limitation of the amount of silver by the Act of 1844, an alteration of which would not involve any alteration in the standard; and then entered into the remedial measures recommended by the witnesses giving their opinion in favour of the introduction of a discretionary relaxing power, to be vested in the Bank of England alone, rather than in the Government, or the Government and the Bank conjointly. Generally, the opinion of the Committee was decidedly adverse to the operation of the Bank Acts. 'To those who may have expected that the 7 & 8 Vict. c. 32 would effectually prevent a recurrence of cycles of commercial excitement and depression, the contrast between the years 1845 and 1847 must produce a grievous disappointment. To those who anticipated that the Act would put a check on improvident speculation the disappointment cannot be less, if reliance is to be placed (as the Committee are confident it may) on the statement of the governor of the Bank, and of other witnesses, that speculations were never carried to such an enormous extent as in 1846 and the beginning of 1847. If the Act were relied on as a security against violent fluctuations in the value of money, the fallaciousness of such anticipation is conclusively proved by the fact, that whilst the difference between the highest and lowest rate of discount was in the calamitous years 1837 and 1839 but $2\frac{1}{2}$ to $2\frac{3}{4}$ per cent., the difference in 1847 rose to $6\frac{3}{4}$. If it was contemplated that the number and the extent of commercial failures would have been lessened, the deplorable narrative of the Governor of the Bank, recording the failure of thirty-three houses comparatively in large business, in London alone, to the amount of 8,129,000*l.*, is a conclusive reply. If the enormous extent to which railroad speculation has been carried be considered as an evil to which no sound system of banking could have applied a corrective, such a corrective has not been found in an Act, since the passing of which, during a period of three years, an increased railway capital of upwards of 221,000,000*l.* has been authorised to be raised by Parliament, and when the enormous sum of 76,390,000*l.* is stated, on high financial authority, to have been actually expended on railways in two years and a half. If the power of obtaining banking accommodation on moderate terms were considered to be promoted by the act of 1844, it cannot be said that this important object has been attained, since it appears in evidence that in 1847, in addition to an interest of 9 or 10 per cent., a commission was also frequently paid, raising the charge to 10, 20, or 30 per cent., according to the time which bills had to run. The committee are fully aware that alternations of periods of commercial excitement and of discredit, of speculation and of collapse, are likely to arise under all systems of currency: it would be visionary to imagine that they could be averted altogether, even if the circulation were exclusively metallic. But it is on this account that great

care should be taken to avoid increasing an evil, perhaps inevitable, by any arbitrary and artificial enactments.'

Before the presentation of these reports a discussion took place on the subject in the House of Commons, when Mr. Herries moved: 'That, looking to the state of distress which has for some time prevailed among the commercial classes, and to the general feeling of distrust and alarm by which the embarrassments of trade have been aggravated, it is the opinion of this House that her Majesty's ministers were justified during the recess of Parliament in recommending to the Bank of England, for the purpose of restoring confidence, a course of proceeding at variance with the restrictions imposed by the Act of the 7 & 8 Vict. c. 32, and that this House will resolve itself into a committee upon the said Act.' Mr. Herries further declared his opinion that, should the House assent to that proposition, he would propose, 'That it is expedient that the limitations imposed by the Act 7 & 8 Vict. c. 32 upon the Bank of England, and the Act 8 & 9, c. 36 & 37, in relation to the issue of notes payable on demand, be suspended, subject to such conditions as may be provided by any Act to be passed for that purpose.' The first motion was, however, lost by 122 to 163, and thus the discussion ended. In August 1848, again Mr. Herries brought the subject before the House, and moved, 'That this House will, early in the next session of Parliament, take into its serious consideration the reports from the committee of this House and from the committee of the House of Lords, communicated to this House, appointed to inquire into the causes of the recent commercial distress, and how far it has been affected by the laws for regulating the issue of bank notes payable on demand.' But the motion was negatived without a division.

CHAPTER VII.

COMMERCIAL AND ECONOMIC PROGRESS, 1840-1850.

The French Revolution and its Influence — Progress of Population — Increase of Exports — Improved Condition of the People — Property assessed to
 * Income Tax — The Clearing House — State of Finances. — Treaties of Commerce

THE period now before us will ever be memorable in the commercial annals of England for the bold and independent commercial policy then fairly adopted. Sir Robert Peel, urged by the Anti-Corn Law League, and stimulated by the severe distress in Ireland, acted on the sound maxims of free trade, and under his leadership the corn laws were abolished and the tariff was remodelled. The banking laws also, which at all times have given rise to so much conflict of opinion, were now systematized; and the railway system was established, which had an immense influence on the economic condition of the country.

The commerce of the country did not run an even course of progress during the ten years. Several adverse influences acted against it. The principal of these were two very bad harvests, a bad cotton crop in the United States of America, too much speculation in railway shares, iron, and cotton, and more especially the political condition of Europe during the last five years.

A bad harvest had considerable influence in unsettling the politics of France in 1847. In that year the price of wheat, which usually ranged at 40s. to 50s. per quarter, rose to 67s. 4d., and instead of exporting, France had to import large quantities of grain, for which she had to make heavy payments. The commerce of France did not prosper during the reign of Louis-Philippe. The imports for home consumption were checked by a prohibitory tariff; the exports were not increasing, and the people were not able to bear the losses and sacrifices which a bad harvest always entails. Were matters closely scrutinised, it would be found that it was more from economic than from political causes that France entered into that revolution which seemed to shake from the very centre not only her own but every throne in Europe.

The revolution of 1848 had a considerable influence not only on trade and industry,¹ but on banking and finance. On the Bank

of France the revolution produced a great change. In 1815 the capital of the Bank had been reduced to 62,900,000 fr., its two branches at Rouen and Lyons were closed, and its operations were limited to the metropolis. After the revolution of 1830, the want of banking accommodation being great, departmental banks were opened at Lyons, Marseilles, Lille, Orleans, Havre, and Toulouse, and the amount of their discounts rose from 352,000,000 fr. in 1838 to 851,000,000 fr. in 1847. The Bank of France, however, became jealous of their progress, and on the occasion of the renewal of its charter, sought and obtained a stipulation prohibiting the formation of any new departmental bank. But when, in 1848, the provisional government made enormous demands on the resources of the Bank, and a suspension of cash payments became necessary, a further step was taken towards the unification of banking, and by an arbitrary measure all the departmental banks were suddenly converted into branches of the Bank of France. The year 1848 was a trying one for France. Commerce and industry can never make progress whilst revolution and uncertainty weaken the institutions of the state.

The population of the United Kingdom suffered considerably from the mortality in and emigration of the people from Ireland. The results of the Census of 1851 were as follows:—

	1841	1851	Increase per cent.	Decrease per cent.
England and Wales	16,035,000	18,054,000	12 20	—
Scotland	2,652,000	2,922,000	9 90	—
Ireland	8,244,000	6,624,000	—	22 6
Islands in the British sea	126,000	145,000	14 50	—
	27,057,000	27,745,000	2 54	—

The population of the principal towns increased as follows:—

	1841	1851	Increase per cent.
London	1,948,000	2,362,000	21
Birmingham	183,000	233,000	27
Bradford	67,000	104,000	55
Bristol	125,000	137,000	9
Glasgow	261,000	329,000	26
Leeds	152,000	172,000	13
Liverpool	294,000	387,000	31
Manchester, with Salford	311,000	401,000	29
Newcastle-on-Tyne	70,000	88,000	24
Nottingham	52,000	57,000	9
Sheffield	111,000	135,000	21
Wolverhampton	36,000	50,000	28

total, 80,595,000%, a decline of 23 per cent. The declared value of British manufactures exported to France in 1847 was 2,554,000*l*., and in 1848, 1,025,000*l*.. The French 3 per cent fell from 74 *l*. 10 to 51 *l*. 90, the 5 per cent. from 116 *l*. 75 to 72 *l*.; the shares of the Bank of France from 3,180 *l*. to 1,650 *l*.

The economic condition of the people improved considerably from the first introduction of Sir Robert Peel's free trade measures. With greater freedom there came more work, more resources. The exports of British produce and manufactures increased from 51,545,000*l.*, or in the proportion of 1*l.* 18*s.* 6*d.* per head of the population in 1841, to 71,368,000*l.* or 2*l.* 11*s.* 10*d.* per head in 1850. The consumption of the principal articles of food imported increased as follows:—

	1841 per head	1850 per head	Increase per cent
Bacon, hams, lbs.	0·01	1 41	39
Butter „	1·05	1 30	24
Sugar, raw „	16·99	24·79	45
Tea „	1 22	1 86	52
Tobacco „	0 83	1 00	20
Wine, gallons	0 23	0·23	—
Spirits, British „	0 77	0 87	13
Malt, bushels	1·34	1 47	9

The amount at the savings banks in the United Kingdom, which in 1841 was 24,474,689*l.*, increased in 1850 to 28,931,000*l.* The number of paupers and the amount expended in the relief of the poor was large, especially in Ireland in 1848 and 1849, but they decreased considerably in 1850. A clear evidence of the increase of national wealth is afforded in the gross amount of the annual value of property and profits assessed to income tax, which as yet, however, was levied in Great Britain only. The amount of property assessed in 1843 and 1850 respectively, was as follows:—

(,000 omitted)

Schedules	1843 £	1850 £	Increase per cent	Decrease per cent
A Lands, Tenements, &c .	95,285	105,025	10	—
B Occupation of Land .	46,770	48,103	2	—
C Annuities, Dividends .	27,910	26,310	—	5
D Professions and Trades .	71,330	64,934	—	8
E Public Offices, Pensions .	9,718	11,760	2	—
	251,013	256,132	2	—

A great change took place in the administration of the Bank of England by the division of the banking from the issue department, as prescribed in the Bank Charter Act. On the 13th of March, 1845, the first minimum notice was given by the Bank respecting the rate of interest. No regular account yet existed of the transactions effected at the Clearing House, but in 1839 the amount of debts settled was 953,401,500*l.*, for which 66,273,000*l.* of bank notes were sufficient. In 1840 the amount of transactions was 974,580,000*l.* Neither the joint-stock banks nor the Bank of England were yet admitted to the Clearing House.

The deposits at the London joint-stock banks increased as follows:—

	London and Westminster £	London Joint-stock £	Union £	London and County £	Total £
1840	1,361,540	1,170,893	377,755	437,975	3,348,188
1845	3,590,014	2,460,475	2,012,348	1,489,738	9,552,776
1850	3,969,648	2,949,869	2,963,583	2,030,238	11,913,338

The finances of the country under the administration of Sir Robert Peel and Sir Charles Wood continued in a satisfactory condition. The gross revenue in the year ending April 5, 1841, was 51,684,766*l.*, or 1*l.* 19*s.* per head, and in the year ending April 5, 1850, 57,576,273*l.*, or 2*l.* 1*s.* 7*d.* per head. A loan of 8,000,000*l.* became necessary in 1847 to provide for aid to the sufferers from the bad harvest. It was negotiated at 89*l.* 10*s.* for every 100*l.* stock, or at the rate of 3*l.* 7*s.* 6*d.* per cent.

Several public treaties were concluded. First in importance was the treaty with China, signed at Nanking on August 29, 1842. Treaties of commerce were concluded with Prussia in 1841, Russia in 1843, Borneo in 1847, Buenos Ayres, Costa Rica, and Guatemala in 1849, besides numerous treaties with African princes and chiefs for the abolition of the exports of slaves and permission to trade in their ports and places.

The progress of commerce was as follows:—

PROGRESS OF BRITISH COMMERCE.

(,000 omitted)

—	1840	1845	Per Cent in 5 Years		1850	Per Cent in 5 Years		Per Cent. in 10 Years		
			Increase	Decrease		Increase	Decrease	Increase	Decrease	
Imports of Raw Materials.										
Cotton wool, lbs	592,480	721,952	22	—	663,600	—	8	12	—	
Wool, sheep's „	49,436	76,814	55	—	74,327	—	3	50	—	
Flax, cwts	1,253	1,418	13	—	1,823	28	—	45	—	
Silk, lbs	4,064	4,865	20	—	5,352	10	—	31	—	
Exports of British produce and manufactures										
Cotton manufactures	£ 17,567	£ 19,156	8	—	£ 21,873	10	—	23	—	
„ yarn	7,101	6,963	—	1	6,384	—	8	—	11	
Woollen manufactures	5,328	7,693	44	—	8,589	11	—	61	—	
„ yarn	453	1,067	135	—	1,452	36	—	222	—	
Silk manufactures	755	602	—	20	1,041	72	—	37	—	
„ yarn	37	164	348	—	161	—	1	335	—	
Linen manufactures	3,306	3,036	—	8	3,948	30	—	19	—	
„ yarn	823	1,061	28	—	881	—	17	—	—	
Hardware	1,349	2,183	61	—	2,641	20	—	95	—	
Machinery	593	905	52	—	1,042	15	—	75	—	
Iron and steel	2,524	3,502	39	—	5,350	52	—	111	—	
Coal	577	974	68	—	1,284	31	—	122	—	
Earthenware	573	828	44	—	999	20	—	74	—	
Total declared value of exports.										
British produce and manu- factures	£ 51,309	£ 60,111	17	—	£ 71,368	18	—	39	—	
Distribution of exports.										
Northern Europe ¹	£ 2,000	£ 2,699	34	—	£ 2,272	—	15	17	—	
Central „ „	9,923	11,964	20	—	12,090	1	—	21	—	
Western „ „	5,226	5,376	2	—	4,835	—	9	—	7	
Southern „ „	2,941	2,995	1	—	4,016	34	—	36	—	
United States of America ²	5,283	7,142	34	—	14,891	108	—	181	—	
British North „ „	2,841	3,551	24	—	3,235	—	8	13	—	
British West Indies ³	3,575	2,789	—	21	2,214	—	20	—	38	
British Indies ⁴	6,023	6,704	11	—	8,022	19	—	33	—	
Australia ⁵	2,043	1,201	—	41	2,602	116	—	—	—	
Imports of articles of food and drink										
Grain and Flour, cwts	15,258	9,068	—	40	35,450	291	—	132	—	
Tea, lbs	28,021	51,057	82	—	50,512	8	1	80	—	
Sugar, lbs	4,036	5,821	44	—	6,292	8	—	55	—	
Tonnage of British and foreign vessels entered and cleared.										
British, tons	6,490	8,546	34	—	9,442	10	—	45	—	
Foreign „ „	2,949	3,531	19	—	5,062	43	—	71	—	
Total	9,439	12,077	27	—	14,504	20	—	53	—	
Tonnage belonging to the United Kingdom										
Sailing	2,680	3,004	12	—	3,396	13	—	26	—	
Steam	88	119	35	—	168	41	—	90	—	
	2,748	3,123	13	—	3,564	16	—	29	—	

¹ Russia, Sweden, Norway, Denmark, Heligoland ² Germany, Holland, and Belgium.
³ France, Portugal with Azores, Madeira, &c, and Spain with Gibraltar.
⁴ Italy, Austria, Greece, Ionian Islands, Malta, and Canaries
⁵ United States of America ⁶ British North America
⁷ British West Indies, with British Guiana and Honduras
⁸ British India, Ceylon, and Singapore. ⁹ Australian colonies and New Zealand.

CHAPTER VIII.

INTERNATIONAL EXHIBITIONS.

The Lord Mayor's Banquet.—Prince Albert's and Sir Robert Peel's Speeches
—History of Industrial Exhibitions—Results of the Exhibition of 1851—
Comparative State of Industry—Progress of International Exhibitions

On the evening of March 21, 1850, a banquet was given by the Lord Mayor of London to inaugurate a great event in the history of modern civilisation—the International Exhibition of 1851. The banquet took place in the Egyptian Hall, which was tastefully decorated for the occasion. On the rows of the lofty Corinthian columns which range along each side of the hall were suspended shields of the arms of the several counties, cities, and towns of the kingdom, the mayors and other authorities of which were invited, and these insignia were intermixed with trophies formed of the chief articles of productive industry for which the several localities were celebrated, and of the implements used in the different districts. Thus, on the column dedicated to the counties of Gloucester and Wilts, was a trophy in which were combined a sickle, sheaves of corn, a fitch of bacon, and a cheese. On another column, associated with the shields of Northumberland, Derbyshire, and Staffordshire, were specimens of lead ore, miners' implements, coal, and pottery ware. In the spaces between the columns were suspended banners and streamers of various colours with the arms of the aldermen of London; whilst other portions of the hall were richly decorated with armorial devices, including the national arms and emblems of England, Scotland, Ireland, and Wales. In the great window were introduced pictorial designs and scenic representations referring to the forthcoming exhibition. The upper portion of the window at the eastern end was filled in with two colossal figures representing Peace and Plenty, encircling with a wreath of laurel an immense globe of the world. Beneath this group was a large picture representing the port of London, filled with ships from every quarter of the earth, disembarking the produce of the several countries. The western window was decorated with a colossal allegorical figure of Britannia, who held in her hand a ground plan of a building for the approaching exhibition.

Better, however, than any gaudy ornaments were the noble words spoken on the occasion by the royal guest, the Prince Consort, who from the first made the undertaking altogether his own. 'Gentlemen,' he said, 'the exhibition of 1851 is to give us a true test and a living picture of the point of development at which the whole of mankind has arrived in this great task, and a new starting point, from which all nations will be able to direct their further exertions. I confidently hope that the first impression which the view of this vast collection will produce upon the spectator will be that of deep thankfulness to the Almighty for the blessings which He has bestowed upon us already here below; and the second the conviction that they can only be realised in proportion to the help which we are prepared to render each other, therefore, only by peace, love, and ready assistance, not only between individuals but between the nations of the earth.' Others spoke on the occasion. Lord John Russell, the Earl of Derby, the Earl of Carlisle, the French Ambassador, each gave utterance to thoughts suited to the occasion; and Sir Robert Peel said, 'It is a noble undertaking to bring together into one spot, and within the view of the world, those valuable productions which an allwise and beneficent Creator has distributed among the different climes and various regions, to stimulate the ingenuity and exercise the mental faculties of man, and through their exertion to enable His creatures to provide for the physical comforts, the intellectual improvement, the social happiness of mankind. It is a noble object to test by actual experiment to what extent the ingenuity and skill of the nations of the earth have corresponded to the intentions of their Creator, and to improve the advantages which each country can offer the other in supplying the wants and adding to the happiness of mankind. In other countries and in other climes splendid spectacles have been provided for the gratification of the people. There still remain the ruins of ancient edifices, almost uninjured by time, where for the gratification of the people showy and costly spectacles were provided. On a Roman holiday hecatombs of wild beasts were slain and sanguinary conflicts took place of man against man. We propose to gratify the people by other agencies more in harmony with our civilisation and our Christianity—to teach them gratitude to the Almighty Creator, by exhibiting the wonderful contrivances of nature for the happiness of man, and to draw closer the bonds of amity and general intercourse by the honest rivalry of industry and skill.'

Of industrial exhibitions there had been many at different times. As early as in 1757 the first attempt was made in France to collect works of art. In 1761 an exhibition of machinery was held in the rooms of the Society of Arts in England. In 1798, whilst France was in the midst of anarchy and revolution, an industrial exhibition was held, in which sixteen departments took part.

Only one hundred and ten exhibitors appeared, but they comprised men of great distinction, who afterwards achieved for themselves considerable celebrity. Some idea of the character of the times may be gathered from the fact that intimation was given that at the next exhibition a medal would be awarded to the person who should inflict the greatest blow on English industry. In 1801 there was another exhibition at the Louvre, when two hundred and twenty exhibitors appeared, and it was then decided to hold such exhibitions annually, which was so far carried out by holding another in 1802. But there was a break from that year to 1806, and a long blank till 1819, from which date exhibitions were held in Paris every five years. Other countries also followed. Italy, Prussia, Switzerland, Spain, and Sweden each had their exhibitions. In England, in 1828, there was an exhibition of specimens of new and improved productions of artizans and manufacturers. In 1829 there was an exhibition in Dublin of specimens of native industry. And in 1845 there was a great exhibition of manufactures at the free trade bazaar in Covent Garden Theatre, besides other local exhibitions in Manchester, Birmingham, Leeds, and Liverpool. But hitherto all such exhibitions were confined to national art and industry. In 1849 for the first time a proposal was made by the free-traders in France to admit foreign products in competition with French at the next exhibition, but the proposal had to be submitted to the chambers of commerce, and these, animated by the spirit of protection, pronounced themselves altogether adverse to such extension, and the French minister abandoned the idea. What was rejected by France, however, was happily taken up in England, and it was left to the Society of Arts, animated by its illustrious President, to put forth the idea of a universal exhibition.

Accordingly at the appointed time, in a palace constructed chiefly of glass and iron, of an area extending over a million square feet, the happy design of Sir Joseph Paxton, the products of all nations were magnificently exhibited. The half of the area was occupied by Great Britain and the colonies, and the other half by foreign states; and though France and Germany had the largest share of the foreign half, every state in the four quarters of the globe was represented. Six millions of visitors inspected the wonderful treasures of art and industry. There were in all 13,937 exhibitors; and a jury composed of British and foreign members, appointed to determine the relative merits of the articles exhibited, awarded to 117 exhibitors the council medal, to 2,954 the prize medal, and to 2,123 honourable mention.

The exhibition consisted of four distinct classes of subjects: viz., raw materials, machinery, manufactures, and the fine arts, divided into thirty branches. The mineral industry was but imperfectly represented, but it was evident that in all parts of the

world, in Europe as well as in America, mineral resources were extensive, that their development followed that of other industries, and that Great Britain was the richest of all in coal and iron. Although the chemical manufacture had attained more subdivision in England than abroad, the great variety of products from a single manufactory was often very striking in the foreign, and particularly the German, collections—a variety without inferiority of quality, which bore testimony to the excellent chemical education and varied resources of the exhibitors. Large was the collection of substances used as food, and most extensive the number of articles comprised under animal and vegetable substances chiefly used in manufactures; the vegetable comprising the gum and resin series, starches, oils, dyes, and colours, cotton, fibrous materials, and woods; and the animals including wool, hair, wax, horn, ivory, tortoise-shells, pearls, sponges, gelatine, and isinglass. The East was then, as now, the home of gums, Africa of palm oil, Turkey of madder, Mexico of logwood, and the United States of cotton. England was far in advance in machinery, and in agricultural implements she was almost unrivalled. Equally so England excelled in cotton goods, but for woollen, France, Belgium, and Saxony exhibited great capacity. France fully sustained her reputation as the chief seat of the silk manufacture. She produced largely and was peculiarly successful in the finer and richer descriptions of material, where delicacy of design and colour may be most advantageously applied. Austria had made great progress; her materials were excellent, and she presented them at low prices. Prussia and the States of the Zollverein exhibited much ability in copying the productions of France and England. Belgium appeared to prefer attracting purchasers by cheapness and excellence of manufacture, rather than by superior attractiveness or novelty. In the leather manufacture France was in advance of England. In machine-made lace, a purely English invention, England was foremost; in hand-made lace France and Belgium were pre-eminent. In hosiery, Nottingham was far in advance of other countries. For cutlery, England had special facilities in the close proximity of coal and iron, but her superiority consisted chiefly in articles intended to supply the every-day wants and conveniences of life, and not in articles of a higher order, which involve the application of tasteful design and ornamentation. In jewellery, England might derive instruction from the gold and silversmiths of the Continent with reference to objects of the ornament cast or *repoussé* and finely chased. In the ceramic art the Staffordshire potteries exhibited the greatest advance. It was evident, indeed, at a glance that different nations had reached different stages of progress in the several branches of human industry, and that in that aspect we had before us in some cases the infancy of nations, in others their youth, their middle age, and their maturity. It

was just as if a photographer had brought within his field of view the surface of the globe, with all the workshops and markets, and yet it was not a picture, it was a reality. From every part of the world were the articles themselves, and whilst roaming amidst the wonders of that crystal structure, we were able to travel as it were from country to country, and to inspect their productions in art and manufacture. The exhibition was indeed a school, a museum, and a gallery. Nay, more, it was a spring, from whose waters labourers would derive fresh vigour and zest.

Since 1851 several other exhibitions have been held of an international character, and each gave fresh evidence of the advance of industry, of the increase of productive power in every state, of greater economy in the processes of production, of fresh discoveries of the secrets of nature, and of greater influence of science and art upon human society. Each exhibition, moreover, attracted a larger number of visitors,¹ each of them enjoyed an unbounded popularity, each contributed its quota to the advancement of industry and art, to the stimulus of invention, and we may add to the extension of friendly feelings among the different nations of the earth. They have been indeed the occasion of high festivals of industry and great tournaments of industrial nations, of which we may well be proud. They have done much to elevate the national taste, to refine the sense of beauty. They have afforded object lessons on the grandest scale to millions of people. They provided, moreover, the best repositories of works of art, and placed within the reach of the student the most exquisite pieces of workmanship, the fruit of genius and art of every country and of every age. In proportion as industry expands throughout the world the difficulty of converging into one focus all its various emanations will become greater and greater. But the principle itself of international exhibitions is sound, the competition they engender highly beneficial, and they may yet subserve high and lofty purposes in the great economy of the world's progress.

1

EXHIBITIONS.

—	Space	No of Exhibitors	No of Visitors
	Acres		
London, 1851	21	17,000	6,139,195
Paris, 1855	24½	21,779	5,162,330
London, 1862	23½	28,053	6,211,103
Paris, 1867	37	50,226	10,200,000
Vienna, 1873	40	42,584	7,254,687
Philadelphia, 1876	—	60,000	9,910,966
Paris, 1878	—	—	16,032,725

CHAPTER IX.

THE GOLD DISCOVERIES IN CALIFORNIA AND AUSTRALIA.

Want of Metallic Currencies —Discovery of Silver Mines in Peru —Discovery of Gold in California.—Discovery of Gold in Australia —Effect of Gold Discoveries upon the Value of Gold —Buoyancy of Trade —Progress of California and Australia

Two important and joyful events marked the entrance of the second half of the nineteenth century. They were the International Exhibition of 1851 and the discoveries of gold in California and Australia. The new discovery of gold was indeed especially important when we consider how many interests were thereby affected, and how vast and permanent has been the influence which it exercised. It was needful, moreover, to replenish the coffers of the bankers of Europe. The immense development of trade seemed especially to require a corresponding increase of currencies. The coinage in many countries was reduced to very small proportions. Everywhere, either paper or mixed metals were taking the place of gold and silver, whilst the large emigration which followed the famine in Ireland led to a great abstraction of currency from Europe. On every account the discovery of gold mines could not fail to exercise a most wholesome influence.

The history of the precious metals may be divided under three distinct epochs. The first, from the earliest times to the discovery of the American mines in the sixteenth century; the second, from that discovery to the finding of gold in California and Australia in 1848; and the third, from that period to the present time. Of the quantity of gold and silver in existence or circulation at the first epoch we have but slender information. The sacred writings tell us that Solomon was immensely rich, that silver was abundant in Jerusalem, and that in one year the King received from Hiram 300 talents of gold, equal to 1,800,000*l*. It is known that in Assyria there were large masses of gold, and that Darius received in tribute from Persia as much as 3,250,000*l*. In Greece, the wealth of Croesus was estimated at 3,000,000*l*., and that of Pytheus at as large a sum. At Rome, Tiberius, it is said, left a legacy of 22,000,000*l*., and Augustus obtained by testamentary dispositions as much as 32,000,000*l*. But these instances of large wealth give us no certain

clue for ascertaining the quantity of precious metals in existence in the ancient world, nor do they show how far gold and silver were used as money. It is well known that gold and silver mines were found in different countries, notably in Persia, the shores of the Indus, and South Africa, and that in course of time they were discovered in Etruria, Hungary, Spain, and the islands in the Mediterranean, though doubtless the coveted treasure found its way, often by conquest and often by fraud, into the hands of the strongest and most adventurous. The Jews amassed great wealth in Egypt, and brought it with them to Judæa. The Phœnicians traded with the Jews, and they carried it into Greece. Darius, when he invaded Jerusalem, took great spoils to Persia, and when Persia was in turn invaded, the same was carried to Rome, Rome becoming eventually the centre where the precious metals were distributed all over the world. In any case the consumption of the precious metals increased rapidly. It was easy to preserve gold when it was poured into earthen vessels and kept in solid masses, but when it began to be divided into small coin and put into circulation, the wear and tear became enormous, the loss by friction and abrasion was greater, to say nothing of the amount expended in golden utensils and ornaments, in clothing and carriages. Great, indeed, must the consumption and waste of gold have been when it is estimated, that out of 350,000,000*l.* supposed to have been in existence at the commencement of the Christian era, only 34,000,000*l.* remained at the time of the discovery of the American mines.

Three hundred years and more have already elapsed since Europe was startled with the news of the discovery of silver mines in the mountain of Potocchi, or Potosi, in Peru. An Indian pursuing some deer was climbing a steep rock. Laying hold of a bush, its roots loosened from the earth, and brought to view the existence of silver. Time after time he resorted to it, and long he kept the source of his altered fortunes involved in the deepest mystery. At last, however, he communicated the result to a friend. They quarrelled, and the news spread like wild-fire in the neighbourhood. A crowd of miners was attracted by the report, and the issue was the foundation of the largest town in all Peru, and, what is more, the opening of a vein of wealth which for centuries replenished the treasures of the civilised world. How far the large importation of gold produced a depreciation of the value of precious metals relatively to other products it is by no means easy to distinguish. At first the natural effect was counteracted by the fact that whilst the overflow of gold was not so rapid or sudden as was apprehended, the discovery of the route to India by the Cape of Good Hope caused a considerable decline of prices. A long time in fact elapsed before the effect of these discoveries was felt in distant

quarters. Adam Smith considered that it took sixty or seventy years before any sensible difference was shown in England. In France, it is said, it took fifty years before the change was complete, and when it came it did not last very long. The great enlargement of the field of industry, the augmented cost of producing silver, the altered state of society, increasing wealth, and the accession of large states to the European family, speedily caused the demand to increase faster than the supply. After the great discovery of American mines no fact of any importance occurred in relation to gold and silver till 1774, when the gold regions of the Oural Mountains were discovered, and it was not till 1810 that their riches were fully developed, nor did they prove very productive.¹

Considerable additions to the stock of the precious metals were made by the working of the Mexican, Chilian, and Peruvian mines. It has been calculated, that taking into account the gold found by the Spaniards among the natives in America and brought to Europe in the first instance, the gold and silver raised from the American mines between 1492 and 1803, less the quantity of both metals supposed to be remaining in America in 1803, and the quantity supposed to have been sent elsewhere than to Europe, a total of 1,200,000,000*l.* was received from America into Europe up to 1803. After that came more discoveries in other parts in North and South America, and, again, other 360,000,000*l.* were estimated to have come into Europe from the same quarter up to 1848, making a total of 1,800,000,000*l.* There is some reason to believe that there was rather a redundancy of gold at the beginning

¹ Several calculations have been made of the quantity of gold and silver supposed to have passed from America to Europe from the discovery of the former country to the present time. Baron Humboldt gave some account of the production of gold and silver in America in his political essay on the kingdom of New Spain. M. Rainal, in his work on the East and West Indies, hazarded some calculations on the subject. M. St Clair Dupont published a work, *De la Production des Metaux Précieux au Mexico*, in 1843. There are some consular reports on the subject in 1830 and 1843. Mr. J. T. Danson gave a general statement in the *Journal of the Statistical Society*, vol. xiv p. 11, and recently the *Economist* had some voluminous estimates. According to Mr. Danson, the quantity of gold and silver probably sent to Europe, in the period from 1492 to the end of 1803, was 1,122,997,475*l.*, and from 1804 to 1848, 360,597,545*l.* total, 1,483,577,020*l.* According to the later account in the *Economist*, there were at the time of Christ 2,245,562 kilos of gold and 62,630,123 kilos of silver, value 865,600,000*l.* From that time to the year 1492 there were extracted in Asia, Africa, and Europe, 6,123,711 kilos of gold and 13,682,107 kilos of silver, value 938,359,000*l.* From 1492 to 1810, including for the first time the produce of the American mines, the quantity was 3,856,487 kilos of gold and 137,096,830 kilos of silver, value 1,625,925,000*l.* From 1810 to 1848 the quantity obtained was 1,135,704 kilos of gold and 21,953,337 kilos of silver, value 355,409,000*l.* From 1848 to 1851, California included, the quantity extracted was 339,835 kilos of gold* and 3,063,411 kilos of silver, value 92,123,000*l.*; and from 1851 to 1865, which included both California and Australia, the quantity given was 1,615,654 kilos of gold and 4,054,362 kilos of silver, value 254,981,000*l.*, making a total up to 1865 of 2,035,293,000*l.* of gold and 2,072,104,000*l.* of silver. Total, 4,017,379,000*l.*

of the century, but the wonder is, that with all these immense additions, no more than 560,000,000*l.* was supposed to exist in Europe and America when California and Australia were added to the gold-supplying countries of the world.

A discovery, as important, however, as that of either the Mexican or the Russian mines was made much more recently. In 1847 a Captain Sutter, who had long been settled in California, contracted with a Mr. Marshall for the erection of a sawmill on the Americanos, a few miles from his fort. The tail-race being too narrow for the water to run off freely, the mill wheel was taken out, so that the whole body of water in the dam might rush through and widen the race, to save the trouble of digging it out. A great body of earth was thus carried away by the torrent, and the next morning, whilst Mr. Marshall was surveying the works, he observed some shining yellow spangles or spots where the water had laid bare the bank. At first he would not take the trouble to stoop for them, but his eye being caught by a particle of superior magnitude, he picked it up, and found that it had all the appearance of pure gold. He then collected some twenty or thirty pieces, and imagining these might be fragments of some treasures buried by the Indians, he examined the neighbouring soil, and found it more or less auriferous. In joyful excitement he hurried off to Captain Sutter, and having commenced a search together, they satisfied themselves that the soil was teeming with gold. For a time they prosecuted their search quite secretly, but a Kentuckian employed in the mill guessed the causes of their unusual movements. He followed their steps and imitated their action, and though the captain tried to convince the Kentuckian and other workmen that what they took for gold was some worthless mineral, the general cry of 'Oro, oro,' was raised, and the Californian mines were fully discovered.

Only a few years later, in another far corner of the earth, the colony of Australia, other gold mines were discovered. Long before the discovery of gold was publicly announced in Victoria pieces of the metal had been found by shepherds and others,² to say nothing of Sir Roderick Murchison's clear prognostications that gold would be found there. Licenses to dig were first issued on September 1, 1851, and forthwith the half of the population of the colony gave up their pursuits for the race after gold. Lawyers forsook the courts, merchants their counting-houses, clerks their desks; and artisans and labourers fled precipitately from houses but half built and foundations but

² The first discovery of gold in Australia was really made by Count Strelzsky in 1839, he having mentioned it at the time to some friends and to the governor of the colony. It was again discovered by the Rev B. Clarke in 1841. But public attention was not attracted to the subject until the existence of extensive gold fields throughout Australia was announced by Mr E H Haigreaves in 1851.

partly dug. Even clergymen were drawn to the exciting scene, and not in every case did they confine themselves to their calling. The wages of labour under such circumstances increased enormously. Provisions of all kinds rose in equal proportion, and altogether a state of matters arose of quite an unprecedented character. The result of these great discoveries may easily be shown. Comparing 1846 with 1852, the two years immediately preceding and following the events before and after the first discoveries, the production of gold and silver stood thus:—

	1846		1852	
	Gold	Silver	Gold	Silver
N and S. America	£1,300,000	£5,250,000	13,300,000	7,250,000
Russia . . .	3,500,000	1,250,000	3,500,000	—
Europe . . .	—	—	—	1,250,000
Austria, Borneo, } Africa, &c . . }	1,200,000	—	1,200,000	—
Australia . . .	—	—	12,000,000	—
Total . . .	£6,000,000	£6,500,000	£30,000,000	£8,500,000

Here is a gigantic increase, first in the total amount, from 12,500,000*l.* to 38,500,000*l.*, and second in that of gold alone from 6,000,000*l.* to 30,000,000*l.* And how different is the proportion between gold and silver. In the seventeenth century gold stood to silver as 1 to 60. In the eighteenth century the relation was 1 lb. of gold to 30 lb. of silver. At the commencement of the nineteenth century this proportion was 1 to 45. But since the Californian and Australian mines were discovered the production of gold to silver was as 1 to 5.³

³ The relative value of gold and silver has, of course, varied in proportion to the altered production. During the reign of Ferdinand and Isabella, viz, from 1474 to 1516, the relative value between gold and silver in Spain was as 1 to 10 $\frac{89}{12}$, in the year 1537, and during the reign of Charles V, the relative value was fixed at 1 to 10 $\frac{77}{12}$, during the reign of Philip II it was established as 1 to 12 $\frac{148}{1234}$; during the reign of Philip III, as 1 to 13 $\frac{1}{3}$, during the reign of Charles II as 1 to 15 $\frac{271}{2448}$, and finally, on July 17, 1779, the relative value of the two metals was fixed as 1 to 16. In the year 1641 Louis XIII. of France issued an edict which regulated the proportion between gold and silver at the French mints, and this proportion was established at 1 to 13 $\frac{1}{3}$, with the view to conform in this respect to the regulations of other countries, where the proportions were as follows in Germany as 1 to 12, in England as 1 to 13 $\frac{1}{3}$, in the Netherlands as 1 to 12 $\frac{1}{3}$, and in Spain as 1 to 13 $\frac{1}{3}$. These regulations lasted about a century, when it became again necessary to alter them, and accordingly in the year 1724 an edict was issued by which the proportion between gold and silver at the French mint was fixed as 1 to 14 $\frac{1}{3}$. At the time of this last edict the mint regulations of England established the proportions between gold and silver as 1 to about 15 $\frac{1}{2}$, and they remained at the same footing till the new coinage. In 1780 the relative value between gold and silver was at Amsterdam as 1 to 14 885; in France as 1 to 14 581, in Spain as 1 to 15 636; at Venice as 1 to 14 779; at Genoa as 1 to 14 915, at Leghorn as 1 to 14 510; in England as 1 to 15 189, and at Hamburg as 1 to 14 171. In the standard of British coinage at

And what effect was produced by such an immense addition to the stock of the precious metals? Frightened, and not without reason, at the possible consequences, some countries, heretofore anxious to attract and retain gold in circulation, even at great sacrifices, showed a feverish anxiety to banish it altogether. In July 1850, Holland demonetised the gold ten florin piece and the Guillaume. Portugal prohibited any gold from having a current value except English sovereigns. Belgium demonetised its gold circulation. Russia prohibited the export of silver; and France, alarmed but less hasty, issued a commission to inquire into the question. A decided change seemed to have taken place in the current value of gold and silver coins. Whilst for years past gold had always borne a small premium, now, for the first time, silver acquired the ascendancy. But with all this England did not move. The rate of interest, it is true, fell for a short time to the lowest possible limit, but no legislative step was taken. Nor was it needed, for it was not long before the plethora of gold entirely vanished. An immense expansion of trade all over the world, the Russian war, the Indian mutinies, the Chinese war, railways and public works, soon absorbed all the supplies, the rate of interest rose higher than ever, and we heard no more of gold losing its ancient supremacy.

As might be imagined, California and Australia became more populous upon the discovery of their great treasures. As by magic, desert and savage places were converted into populous and thriving cities. In 1850, the population of California was 92,000. In a very short time shoals of immigrants from Europe, Asia, and America swelled it, and in 1870 it was 560,000. Not long ago California was not even named among the states of the great Republic; in 1870, it exported 11,000,000*l.* of bullion and other merchandise. And so it was with Victoria. In 1850, her population was 76,000; in 1877, it was 860,787. Her navigation suddenly swelled to enormous proportions. In 1851, the shipping entered and cleared was 195,000 tons; in 1877, it was 1,874,000 tons; and her exports, which in 1850 amounted to 744,000*l.*, in 1877 were valued at 15,157,687*l.*⁴ Large fortunes have been

the present time 1 part of gold is worth $14\frac{1}{2}$ of silver, in the French, 1 part of gold is equal to $15\frac{1}{2}$ of silver; and in the countries where the silver standard prevails, the proportion varies from 1 to $15\frac{1}{2}$ to $15\frac{3}{4}$. See *Lords Committee on the Resumption of Cash Payments* (1819), and Seyd, *Bullion and Foreign Exchanges*, p. 162 (1868).

⁴ The chief Victoria gold districts were those of Bendigo, those of the district of the Owen River, and those of Creswick's Creek. A license fee or royalty of 30*s* per month for the privilege of mining was imposed upon each person by proclamation on August 16, 1851. The usual rate of pay to a working miner varied at the different gold fields between 15*s* and 30*s* per day. Miners conducted their operations under a copartnery system. A number varying from three to six individuals agreed to co-operate on equal terms in the various duties connected with excavating, transporting, and washing. A division of proceeds took place either occasionally or after the working out of a claim.

realised by the early settlers in both California and Australia, but in time trade and manufactures assumed a normal condition.

When deep sinking was introduced, the expenses and delay rendered necessary a larger number in the copartnery, for the sake both of larger means and a more effective staff. Those undertakings soon assumed the form of companies, with a stock consisting, besides the chances of gold, of some little plant, as slabs, windlass, &c., and which were divisible into a fixed number of shares. These shares were transferable, and, to meet the circumstances of all, were divisible. As the sinking proceeded its stock acquired value, and becoming marketable was the subject of constant traffic. The estimated population of the various gold fields of Victoria in 1852 was 35,000, in 1853, 73,000, and in 1854, 100,000. A large influx of Chinese and other Asiatic races took place. A tax of 10% per head was imposed on every Chinese arriving, but proved a complete failure, for its effect was to compel vessels from China to repair in the first instance to South Australia, whence their passengers proceeded overland to the gold fields. The exports of gold from Victoria were as follows —

	Ozs	£		Ozs	£
1851 .	145,137	. 438,777	1865 .	1,543,802	. 6,190,317
1852 .	1,988,527	. 6,135,728	1866 .	1,479,193	. 5,909,987
1853 .	2,497,724	. 8,644,529	1867 .	1,433,687	. 5,738,993
1854 .	2,144,699	. 8,255,550	1868 .	1,960,713	. 7,843,197
1855 .	2,751,535	. 10,904,150	1869 .	1,700,973	. 6,860,179
1856 .	2,985,922	. 11,943,458	1870 .	1,529,822	. 6,119,782
1857 .	2,762,461	. 10,987,591	1871 .	1,647,389	. 6,590,962
1858 .	2,528,479	. 10,107,856	1872 .	1,298,839	. 5,197,340
1859 .	2,280,950	. 9,122,037	1873 .	1,291,014	. 5,168,614
1860 .	2,156,661	. 8,624,860	1874 .	1,012,153	. 4,053,288
1861 .	1,967,420	. 7,869,758	1875 .	794,164	. 3,177,905
1862 .	1,658,285	. 6,685,192	1876 .	525,630	. 2,103,591
1863 .	1,627,066	. 6,520,957	1877 .	521,976	. 2,090,112
1864 .	1,545,450	. 6,206,237			

CHAPTER X.

CHAMBERS OF COMMERCE AND COMMERCIAL LAWS.

Chambers of Commerce—International Commercial Law.—Assimilation of Mercantile Laws—Royal Commission on the Mercantile Laws of the United Kingdom

SETTING aside for the present the many economic questions suggested by the gold discoveries, let us turn our attention to a series of legal reforms passed from time to time which removed many hindrances to commerce and industry and imparted greater security to trade and better encouragement to the investment of capital. There is indeed much to amend in the British system of legislation. The laws are often defective in enunciation, altogether wanting in method, and suffering from cumbrousness of language. Happy it is that any evils thereby resulting have been greatly remedied, and their inconvenience has been greatly modified, by the possession of the all-essential requisite, especially in a commercial country, of a scrupulous and impartial administration of justice.

For some of the best reforms in our commercial laws we are indebted to the Chambers of Commerce, which are ever ready to expose the evils and inconveniences under which trade may be labouring. Chambers of Commerce have long been in existence. One existed at Marseilles as far back as the fifteenth century. One was established at Dunkerque in 1700, and when more recently a Council-General of Commerce was formed in Paris, composed of six councillors of state and twelve merchants or traders delegated by the principal commercial towns in the kingdom, several other Chambers of Commerce were established which placed themselves in direct relation with the central Council. In 1852 the Chambers of Commerce in France received a formal organisation, and their principal functions are to give to the Government advice and information on industrial and commercial subjects, to suggest the means of increasing the industry and commerce of their respective districts, or of improving commercial legislation; and to suggest the execution of works which may be required for the public service, or which may tend to the

increase of trade or commerce, such as the construction of harbours, the deepening of rivers, the formation of railways, and the like.

In Great Britain, also, there have been for a considerable time several important Chambers of Commerce. Glasgow had one with royal charter dated 1783; Edinburgh one since 1785; and the Manchester Chamber was established in 1820. Even Hull had a Chamber of Commerce since 1837; yet Liverpool, one of the largest ports in the kingdom, had no such chamber. Twelve or more separate bodies, as the Shipowners' Association, the African, the West Indian, the East Indian and China, the Mexican and South American, the Mediterranean, and the Levant Associations, existed, but they were guided by party feelings, and, whilst they were contending for the advocacy of discordant views of commercial policy, they were not able to do much for the public good. A Chamber of Commerce embracing and representing all the different branches of trade was first proposed in a pamphlet on the subject, by the author of this work, in 1850,¹ and after much labour the institution was established.

But the foundation of the Liverpool Chamber of Commerce is the more interesting from the fact that it gave rise to a great effort for the assimilation and consolidation of the mercantile law of the United Kingdom, and as far as possible of foreign countries also. When writing his work on the Commercial Laws of different states, which he exhibited in parallel columns,² the author was impressed with the striking uniformity in many of their dictates. There are in truth in the codes and laws of commerce of all nations many fundamental principles which neither time nor space can essentially affect. They are great maxims of right and wrong, are eternal in their origin, and universal in their application. Nevertheless, diversity of language and phraseology have so disfigured this universal uniformity, and laws have been so largely amassed, that it has become almost impossible to distinguish what is uniform from what is dissimilar in all states. Nor is this a matter of slight importance. Commerce, it must be remembered, is essentially international. Whether a merchant forms a partnership; purchases, sells, or ships goods; effects an insurance, or becomes a bankrupt; in either case he may find himself affected by the mercantile law of other countries. Let such laws be dissimilar, let what is lawful in one country be illegal in another, let the procedure of the courts fail to afford the same protection, let the instruments used in one country be not equally

¹ *Chambers and Tribunals of Commerce, and proposed General Chamber of Commerce in Liverpool.* London, 1849

² *Commercial Law, its Principles and Administrations, or the Mercantile Law of Great Britain compared with the Codes and Laws of Commerce of Foreign Countries* London Smith, Elder, & Co., 1850. *International Commercial Law*, or second edition of the above. Stevens & Co., London, 1863.

recognised in another, and the results are extreme inconvenience, loss, and, in any case, endless confusion.

The remedy for this great anomaly was suggested by the author, in his work on international commercial law. His Royal Highness the Prince Consort, to whom the suggestion was first communicated, at once recognised its utility. The Chambers of Commerce gave to the proposal their full concurrence. The Law Amendment Society co-operated with a view to its realisation, and on the 15th of November, 1852, a conference was held in London, presided over by Lord Brougham and the Earl of Harrowby, when it was resolved, 'That the mercantile laws of England, Ireland, and Scotland are scattered and disconnected, and in many instances dissimilar and even antagonistic, a state of things tending greatly to restrict and embarrass commerce by producing uncertainty, perplexity, and delay. That it is desirable that a well-digested and well-arranged body of mercantile law should be framed and established for the whole of the three kingdoms. That, dismissing all local and even national prejudices, the assimilation and improvement of the mercantile laws of the three kingdoms, and the improvement, and, where requisite, the assimilation of the procedure should be effected by selecting those principles and rules, wherever they may be found, which shall be deemed the best and most beneficial to the commercial classes and to the community at large, and that to this end it is necessary carefully to examine the mercantile laws and to have recourse to the experience of other countries. That it is desirable that this assimilation and improvement should be brought about by a general revision, amendment, and consolidation of the different branches of the mercantile law successively; but that while these larger measures are proceeding, much immediate relief might be afforded by a series of single Acts addressed to the more pressing and grievous evils; which Acts, by proper arrangements, might be made subservient to the ultimate object. That, while this work is going forward, it is important that no new measures of mercantile law should be introduced into Parliament, but such as may apply generally to the three kingdoms, or serve as steps towards a general assimilation. That a commission, consisting of members of both Houses of Parliament and members of the legal and commercial professions, appears the most effective means of obtaining the desired result.'

A deputation afterwards proceeded to the Earl of Derby, then the First Lord of the Treasury, on the subject, and, in compliance with their request, a royal commission was soon after appointed to inquire and ascertain how far the mercantile laws in the different parts of the United Kingdom of Great Britain and Ireland may be advantageously assimilated. And on the reports of such commission two Acts³ were passed which intro-

³ 19 & 20 Vict. c. 97, and 19 & 20 Vict. c. 60

duced uniformity of principle and practice on several points of mercantile law. But, what was still more important, a tendency was given to uniformity of legislation, which has ever since been maintained to the manifest advantage of the commercial community all over the world. In 1873, the Association for the Reform and Codification of the Law of Nations was established, and its labours have been directed to many branches of commercial law in which a conflict of law now exists. The law on Bills of Exchange, General Average, Shipping, Patents, Copyrights, and Foreign Judgments have been submitted to a searching inquiry, and important results may be anticipated. The time is speedily drawing near when the original design of a uniform code of commercial law for all civilised States may be fully realised. In the words of Mr. Justice Story: 'What a magnificent spectacle will it be to witness the establishment of such a beautiful system of juridical ethics, to realise not the oppressive schemes of "holy alliances" in a general conspiracy against the rights of mankind, but the universal empire of juridical reason, mingling with the concerns of commerce throughout the world, and imparting its beneficial light to the dark regions of the poles and the soft and luxurious climates of the tropics. Then indeed would be realised the splendid visions of Cicero, dreaming over the majestic fragments of his perfect republic, and Hooker's personification of the law would stand forth as embodied truth, for "all things in heaven and earth would do her homage, the very least as feeling her care, and the greatest as not exempted from her power."'

CHAPTER XI.

PARTNERSHIPS AND JOINT-STOCK COMPANIES.

Investments of the Middle and Working Classes.—The Law of Partnership.
—Limitation of Liability—Objections to Limited Liability.—The Limited Liability Acts.

For trading and public enterprise, especially of a permanent character, the association of capital and labour, and the accumulation of small investments into great reservoirs, are absolutely necessary. Those gigantic undertakings which have been conceived and perfected with so much skill, and which have exercised so powerful an influence in promoting progress and civilisation, have mostly all been ushered into existence by the agency of public companies. At first the business pursued in distant countries was carried on by private adventurers, each risking his own property, and each trading separately. They formed companies, and obtained charters of incorporation with monopolies and privileges, but they had no joint stock.¹ Their union was suggested rather by their want of strength to militate against the difficulties of new and perilous adventures, than by any wish to accumulate the subscriptions of many into one common fund. It was after such companies ceased to have for their scope the mutual defence of the adventurers that they began to be established for the purpose of combining large and small sums of capital for undertakings of a permanent character. And it was for the purpose of allowing persons to embark in or withdraw their funds from a concern, that the practice was introduced of the issue and transfer of shares. Unfortunately, such transfer was soon found to be open to great abuse. The transfer of shares became itself a trade, and companies were formed seemingly for the sole purpose of creating shares upon which speculative transactions might be carried on. The possible results of an undertaking were in many cases but a secondary consideration; care was taken to get up the prices of shares to an exorbitant height, and then they were thrown on the market, leaving the unfortunate last purchasers to bear heavy losses. This kind of

¹ Of that character was the East India Company, the South Sea Company, the African, the Levant, and other commercial companies.

dealing was carried on for a considerable time, but it reached its climax with the South Sea bubble. And then a stop was put to it by the Legislature, by the passing of an Act rendering illegal and void the acting or presuming to act as a corporate body, the raising or pretending to raise transferable stock, and the transferring or pretending to transfer or assign shares in such stock without legal authority.² In other words, no company was thenceforth allowed to be formed with the ordinary powers or rights of acting in a corporate or semi-corporate capacity except by royal charter. Such legislation, however, having the effect of placing an obstacle to the formation of trading companies, it became injurious to commerce, and proved a bar to the investment of unemployed capital; so that after having remained a dead letter in the statute book for a long time, the Act had to be repealed.³ Yet, practically, considerable hindrance continued to be interposed to the formation of companies, from the fact that no Act existed allowing any number of persons to act in a corporate capacity and to sue and be sued by an officer of the company. How could a company composed of some hundreds of persons exercise its rights if in every case the names of all the shareholders had to be used? To prevent this evil, no other means existed but to get an Act of Parliament. This method of course was troublesome and expensive,⁴ and it then became necessary to pass an act⁵ enabling the Crown by letters patent to grant to any trading company any of the privileges of suing and being sued in the name of an officer upon such terms and conditions as his Majesty should think fit. But this statute did not remove the evil. It only mitigated it by throwing on the Crown the responsibility of according the rights and privileges to whomsoever it pleased.

The concession of the right of trading with limited liability, also connected with the granting of a charter, was particularly difficult and invidious. The circumstances which the Treasury esteemed sufficient justification for granting letters patent with such privilege were the following:—1. Where the object for which the association is formed is one of a hazardous character, in which many individuals may be disposed to risk moderate sums, the aggregate of which may constitute a large sum sufficient for the undertaking, but in which a single capitalist, or two or three under an ordinary partnership, would be unable or unwilling to engage. The working of mines was an example of this species of adventure. 2. Where the capital required is of so large an amount that no single partnership could be expected to supply it, as in the case of railways, canals, docks, and works of that description. 3.

² 6 Geo. I. c. 18.

³ 6 Geo. IV. c. 91.

⁴ The expense for obtaining a charter was great. The fees paid to the Privy Council and to the Council of the Board of Trade in an ordinary case was 402*l.* 0*s.* 4*d.*; and in a banking case, 955*l.* 3*s.* 2*d.*

⁵ 4 & 5 Wm. IV. c. 94.

Where no great advance of capital, but extended responsibility, is desirable, as in the case of assurance companies; and 4. Where the object sought can only be effected by a numerous association of individuals, such as the formation of literary societies, charitable institutions, and similar bodies. In 1837 the President of the Board of Trade instructed Mr. Bellenden Ker to inquire into the state of the law of partnership, more especially as regards the difficulties which existed in suing and being sued when partners are numerous, and to consider whether it would be expedient to introduce a law authorising persons to become partners in trade with a limited responsibility similar to the French law of partnership *en commandite*. But the report was unfavourable to such an innovation. Mr. Ker himself deemed it inexpedient to adopt such a system, and among those whose opinions were quoted, Mr. Samuel Jones Loyd, Mr. Thomas Tooke, Mr. La�ent, Mr. Horsley Palmer, Mr. Kukma Fally, and Mr. John Gladstone pronounced themselves decidedly against limited liability; whilst Lord Ashburton, Mr. G. W. Norman, and the Hon. Francis Baring expressed an opinion in its favour.

Thus matters continued till 1844, when the necessity of introducing some check to the frauds and equivocations practised in connection with joint-stock companies appeared to require some effective remedy. On February 16 of that year, a Committee of the House of Commons was appointed to inquire into the state of the law respecting joint-stock companies other than banking, with a view to the greater security of the public, and the evidence brought before them was of a startling character. There were companies in existence faulty in their nature, inasmuch as they were founded on unsound calculations, and which could not by any possibility succeed. There were companies so ill constituted that miscarriages or failures incident to mismanagement would be sure to attend them; and there were companies both faulty and fraudulent in their object, being started for no other purpose than to create shares for the purpose of jobbing in them, or to create, under the pretence of carrying on a legitimate business, the opportunity and means of raising funds to be shared by the adventurers who started the company. These companies adopted, as far as possible, the outward characteristic common to those of the best kind; exhibited an array of directors and officers; announced a large capital; adopted the style and title of a company; issued plausible statements intimating excellent purposes; used some conspicuous place of business in a respectable situation; and employed throughout the country respectable agents and bankers; but many of these characteristics were fictitious. The directors had either not sanctioned the use of their names, or they were not the persons they were supposed to be. In many cases there was neither capital, subscribers, or deed of settlement. The style of the

company might be unobjectionable, because any company might adopt any style; but its purposes, though plausible, were often founded on calculations which did not admit of success, and it ought not only not to have received the sanction or authority of Parliament or of the Crown, but the very statutes which were cited as conferring its authority might be found to have a very different object. Such being the state of the law on joint-stock companies, and such the defects in many of those in existence, the committee recommended a plan of registration of such companies; and thereupon the Act was passed which provided for such registration, and gave power to all registered companies to sue and be sued in the name of their officers.⁶ The Act applied to every joint-stock company formed for any commercial purpose, or for any purpose of profit, or for the purpose of assurance; but it excepted banking companies, for which a special Act⁷ was passed, prescribing similar conditions as to registration, but adding that the capital of the company should in no case be less than 100,000*l.* and the shares 100*l.* each.⁸ Here we have another instance of over legislation. Can registration be a sufficient guarantee against fraud? Allowing that it is an evidence for the time being of the existence of a compact between a certain number of persons, what security does it afford that the terms of such compact are not rescinded the moment after? or that the capital promised is either not brought in or withdrawn? or that the registered shareholders do not transfer their shares? And, moreover, unless the registrar be invested with a judicial character and with authority to investigate the accuracy of the matters registered, what certainty does it afford of the reliable character of the particulars registered? Valuable as registration is, it can never

⁶ 7 & 8 Vict. c. 110.

⁷ 7 & 8 Vict. c. 113.

⁸ Under the act of 1844, from 1844 to 1855, there were registered 4,049 companies, of which 3,084 were abandoned and 965 completely registered, the proportion that remained or carried into effect being only 23.71 per cent. They were classified as follows —

—	Provisionally Registered	Completely Registered
Assurance	411	203
Railways	1,605	32
Gas	361	253
Public Works	305	43
Mining	235	98
Manufactures	209	81
Shipping	141	48
Building, public and otherwise	199	104
Others	583	103
	4,049	965

In 1845, the year of the railway mania, 1,149 railway companies were provisionally registered and only 4 completely registered.

be relied upon as a sufficient security against fraud, and there is always danger lest the semi-official character given by it to a company may have the effect of creating a spirit of confidence where none should exist.

In a few years the partnership law became once more the subject of public attention. With the commencement of the second half of the present century a conviction gained ground that, with the growing wealth, those who occupy a middle station in society were progressively increasing in number and in the proportion which they bore relatively to the population of the kingdom. There was a large increase in the number of depositors and amount of deposits in the savings banks; there was a considerable addition to the number of persons receiving under five pounds at each payment of dividends of the public debt. There was a much larger income between 150*l.* and 500*l.* assessed to income tax. But there was a decided want of increasing facilities for the safe investments for the savings of the middle and working classes. A Committee of the House of Commons was therefore moved for on the subject, in 1850, by Mr. Slaney, which made a useful report. The committee found that investments in land or landed securities were much desired by the middle and working classes, but that the uncertainty and complexity of titles, and the length and expense of conveyances, together with the cost of stamps, placed this species of investments, generally, beyond the reach of those parties; and that mortgages on land were liable to the same sort of difficulties, and often proved insecure investments. They found that the Crown was empowered by Act of Parliament in certain cases, by charter, to limit the liability of partners, but that this power was seldom exercised, did not seem guided by any clear rule, and involved expense greater even than that of obtaining an Act of Parliament.

Another subject of complaint dealt with by the report of Mr. Slaney's committee, though generally, was the law of partnership, which placed obstacles in the way of any body of workmen who desired to combine their money and labour in industrial undertakings. In some cases several industrious men worked together under regulations of their own, with a small capital. They were directed by managers whom they chose, the goods produced were sold for their common benefit, and the profits were divided among the contributors of capital and labour in certain proportions agreed on. But the law afforded no effectual remedy against the fraud of any one dishonest contributor or partner, and no summary mode of enforcing the rules agreed to for mutual government. The committee expressed their strong opinion of the pressing necessity of the subject being attended to by the Legislature. The rapid increase in population, and in wealth of the middle and industrious classes within the last half century, rendered this of

great consequence. The great change in the social position of multitudes, from the growth of large towns and crowded districts, rendered it more necessary that corresponding reforms in the law should take place, both to improve their condition and contentment, and to give additional facilities to investments of the capital which their industry and enterprise were constantly creating and augmenting. And it was the conviction of that committee that if such measures were carried into effect, a stimulus would be given to the industry of the country, likely to cause additional employment and contentment, without injury to any class, and with added security to the welfare of all.

Following this, Mr. Slaney, in the following session, in 1851, obtained another Committee of the House of Commons especially to consider the law of partnership and the expediency of facilitating the limitation of liability with a view to encourage useful enterprise and the additional employment of labour. The committee consisted of some eminent members, and examined witnesses of great authority, and the result of their labour was a recommendation that greater facilities should exist in granting charters, under rules published and enforced by the proper authorities, and that an easier mode of borrowing additional capital should be allowed, without risk, to the lender, beyond the amount of the sum advanced. The committee corroborated the general impression of great increase of personal property of late years. The population returns showed an increase of the population of almost all our largest towns, chiefly inhabited by persons dependent on personal property, at the rate of nearly 30 per cent. in every decennial period since the beginning of the century, whilst the rural inhabitants had augmented only at about one-third the same proportion. It appeared further, that in thirty-three years since the peace, whilst lands in Great Britain had increased in value to the extent of only 8,576,000*l.*, viz., from 39,405,000*l.* in 1814–15 to 47,981,000*l.* in 1848, or a little more than five per cent., messuages, chiefly houses and manufactures and warehouses in and near towns, and inhabited by persons depending greatly on trade and commerce, had augmented above 26,000,000*l.* (from 16,259,000*l.* in 1815–16 to 42,314,000*l.* in 1845) in annual value, or about 130 per cent. in the same period; whilst the value of railways, gas works, and other property, chiefly held in shares as personal property, had increased above twelvefold in the same period. The same result, showing the increase of personal property since the peace, was evident from the fact that the legacy duty was derived from a capital of 24,000,000*l.* in 1816 and 45,000,000*l.* in 1845. The course of modern legislation had been gradually to remove restrictions on the power which everyone has in the disposal of his property, and to remove those fetters on commercial freedom which long prevailed in this country. The usury laws and various

laws against combinations had been modified or repealed. General acts to facilitate the formation of joint-stock associations and building societies had been passed. The committee therefore thought it proper to offer suggestions of a like nature in reference to the laws of partnership, and especially as regards the unlimited liability of partners as it existed in this country. And they recommended the appointment of a commission of adequate legal and commercial knowledge to consider and prepare a consolidation of the existing laws, and also to suggest such changes in the law as the altered condition of the country might require, especial attention being paid to the establishment of improved tribunals to decide claims by and against partners in all partnership disputes, and also to the important and much controverted question of limited and unlimited liability of partners.

A royal commission having been appointed in 1852 to inquire into the state of the mercantile law of Great Britain and Ireland, it was committed to them in 1853 to inquire whether any or what alterations and amendments should be made in the law of partnership as regards the question of the limited or unlimited responsibility of partners. But in 1854 the Commissioners reported, by a majority of five to three, against any change in that direction. Their report, embodying the reasons urged in opposition, deserves to be referred to at some length. In the opinion of the Commissioners, the first question of paramount importance was, whether the proposed alteration of the law would operate beneficially on the general trading interests of the country, and they arrived at the conclusion that it would not. They were not able to discover any evidence of the want of a sufficient amount of capital for the requirements of trade. The annually increasing wealth of the country, and the difficulty of finding profitable investments for it, seemed to them a sufficient guarantee that an adequate amount would always be devoted to any mercantile enterprise that held out a reasonable prospect of gain without any forced action upon capital to determine it in that direction; while any such forced action would have a great tendency to induce men to embark in speculative adventures to an extent that would be dangerous to the interests of the general commerce of the country. The Commissioners found no reason to suppose that the reputation of the British merchants, either at home or abroad, would be raised by the establishment of firms trading with limited liability, but the contrary. They thought that the benefit supposed to accrue to men of probity and talent, by enabling them to obtain capital and establish themselves in business by the aid of partners, incurring limited liability only, was greatly overrated. Doubtless many useful enterprises calculated to produce benefit to the public and profit to those who engage in them are of such magnitude that no private partnership can be expected to provide

the funds necessary to carry them into effect, or to have the means of superintending or managing them, of which docks, railways, and extensive shipping companies might be taken as examples. And there were others of a more limited character, from which benefit to the humbler classes of society might be expected to accrue, such as baths and washhouses, lodging-houses and reading-rooms, to the establishment of which by large capitalists there was little inducement. These two classes of undertakings it might be desirable to encourage by limiting the liability of those who embark in them. But with regard to both, the Commissioners thought they should be subjected to some previous inquiry as to the means of carrying them into effect, and the prospect of benefit to the promoters and the public. With regard to those undertakings, the execution of which involved an interference with the rights of property, the sanction of Parliament always had been and still ought to be required; with regard to others, the privilege of having a limited liability might be granted by charter; and for the purpose of regulating the granting of charters, the Commissioners recommended that a board should be established to decide upon all applications for them, that board requiring in all cases compliance with certain fixed regulations. Into the views of the minority it is needless to enter. It is sufficient to state that Mr. James Anderson, Q.C., Mr. (afterwards Baron) Bramwell, and Mr. Kirkman Daniel Hodgson dissented from the report, grounding their dissent on the following reasons: 1st. The general principle of the advisability of allowing perfect freedom in the making of contracts between man and man, only guarding against wilful deception; 2nd. The experience of other countries; 3rd. The deficiencies of the present system in providing by loans for such purposes as this change of law would effect; 4th. The little chance of such a change encouraging and increasing the abuse of credits, its tendency being rather the reverse; 5th. The inconvenience that existed from our law being different from that of all other commercial countries; and 6th. A strong conviction that the benefits of the measure proposed were great and manifold, while the objections urged against it were not warranted by experience, and in great part imaginary.

In the same year, when this report was presented, Mr. (now Sir) Robert P. Collier moved a resolution in the House of Commons, 'That the law of partnership, which renders every person who, though not an ostensible partner, shares the profits of a trading concern, liable to the whole of its debts, is unsatisfactory, and should be so far modified as to permit persons to contribute to the capital of such concerns on terms of sharing their profits without incurring liability beyond a limited amount.' The resolution, seconded by Viscount Goderich, was well supported by the House, and at the end of the discussion Mr. Collier withdrew it, on the

understanding that the subject would receive the serious consideration of her Majesty's Government.

Accordingly, in 1855, two bills were introduced by Mr. Fitzroy, Mr. Bouverie, and Viscount Palmerston; one for limiting the liability of members of certain joint-stock companies, and the other to amend the law of partnership, to the effect that a person lending money to a partnership on condition of receiving a portion of profits, varying with the amount of the same, should not thereby be considered a partner. The first of these bills passed into law;⁹ the second was withdrawn, but from that year the principle was admitted, and the acts passed in 1856,¹⁰ 1857,¹¹ 1858,¹² gradually removed the exceptions originally made affecting insurance and banking. Finally, in 1862,¹³ a new Act for the regulation of companies was passed, by which any seven or more persons associated for any lawful purpose, by subscribing a memorandum of association, might constitute themselves a company with limited or unlimited liability; and also an Act to regulate the formation of industrial societies.¹⁴ To the former, which is now the principal Act, we must add the Act of 1867,¹⁵ with provisions allowing limited companies to be formed with directors having an unlimited liability, as well as the reduction of the capital and shares. And the Partnership Amendment Act of 1865, by which the advance of money on contract to receive a share of profit, or the remuneration of an agent by a share of the profits, was made no longer to constitute the lender or the agent a partner.

Since then the law on joint-stock companies has undergone several amendments.¹⁶ A company may now be formed, the directors having an unlimited liability, and the shareholders a limited one. A company is also empowered to reduce its capital by the reduction of its shares, to issue share-warrants to bearer in case of fully paid-up shares; and also to reduce its capital by the cancellation of unissued shares. And by the Act of 1879,¹⁷ an Act to amend the law with respect to the liability of members of banking and other joint-stock companies, any company registered as an unlimited company was allowed to register under the Companies Acts as a limited company. An unlimited company may increase the nominal amount of its capital by increasing the nominal amount of its shares, or provide that a portion of its capital shall not be capable of being called up except for the purpose of the company being wound up. The liability of a bank of issue in respect of its notes will continue to be unlimited. Once in every year the accounts of every banking company registered as a limited company must be examined by auditors to be

⁹ 18 & 19 Vict. c. 133.

¹² 22 Vict. c. 91.

¹⁵ 30 & 31 Vict. c. 131.

¹⁷ 42 & 43 Vict. c. 76.

¹⁰ 19 & 20 Vict. c. 47.

¹³ 25 & 26 Vict. c. 89.

¹⁶ 30 & 31 Vict. c. 131, and 40 & 41 Vict. c. 26.

¹¹ 20 & 21 Vict. c. 78.

¹⁴ 25 & 26 Vict. c. 87.

elected annually by the company at a general meeting. And every balance sheet submitted to the annual meeting must be signed by the auditors, the manager, and the directors.

From 1862 to 1877 there were registered in the United Kingdom, under the Companies Act 1862, 113 old and 12,228 companies limited by shares, and 2 old and 169 new companies limited by guarantee; 170 old and 84 new unlimited companies with nominal capital, and 19 old and 94 new unlimited without nominal capital, making a total of 12,879 companies, with a nominal capital of 1,590,180,857*l.* Of the companies registered from 1856 to 1877 there appeared in the latter year to be still in existence companies with a nominal capital of 705,444,852*l.*, and a paid-up capital of 307,108,446*l.* The companies which were no longer carrying on business had a nominal capital of 513,118,575*l.* and a paid-up capital of 113,171,387*l.* The abortive companies and companies about which the office of registration had no information, had a nominal capital of 538,589,856*l.* and a paid-up capital of 15,370,251*l.*

LIMITED AND UNLIMITED LIABILITY.

(,000 omitted.)

Year	No of Companies	Nominal Capital	Limited Liability		Unlimited Liability		Without Nominal Capital
			No of Companies	Nominal Capital	No of Companies	Nominal Capital	
		£		£		£	
1856	227	14,720	222	14,657	5	63	
1857	392	20,969	386	20,901	6	68	
1858	301	19,287	298	20,227	3	60	
1859	326	13,157	320	13,058	6	99	
1860	409	17,818	401	17,753	8	66	
1861	479	24,613	474	24,543	5	70	
1862	502	68,092	500	68,042	2	50	
1863	760	137,356	748	135,295	12	2,060	
1864	975	235,763	970	234,456	5	1,306	
1865	1,014	203,726	1,002	201,540	12	2,185	
1866	754	74,644	745	73,310	9	1,334	
1867	469	28,546	455	27,461	14	1,084	
1868	454	36,528	443	33,836	11	2,092	7
1869	469	141,274	457	138,891	12	2,383	6
1870	595	38,252	573	36,258	11	1,994	11
1871	824	69,528	794	67,955	8	1,573	19
1872	1,116	133,041	1,090	131,354	8	1,687	18
1873	1,234	152,056	1,207	141,344	17	10,709	10
1874	1,241	110,540	1,201	92,745	22	17,794	18
1875	1,172	82,447	1,155	78,134	18	4,167	19
1876	1,066	48,145	955	48,156	5	162	106
1877	960	66,800	952	65,000	8	1,800	30

CHAPTER XII.

PATENTS, COPYRIGHTS, AND TRADE MARKS

State of the Patent Law—Principles of the Patent Law.—Objections to the Patent Law—Patent Law in Foreign Countries.—The Law of Copyright—Mr. Justice Talfourd's Bill—Copyright in Foreign Countries.—Copyright in Design.—Law of Trade Marks.

THE stimulus given to art and invention by the International Exhibition of 1851, led, of necessity, to the consideration of the law of patents, which had long been extremely obstructive and inconvenient. The law, then administered, was founded on the statute of monopolies¹ passed during the reign of James I., which declared all monopolies to be null and void 'except as to letters patent and grants of privilege, for the term of fourteen years or under, for the sole working or making of any manner of new manufactures, within the realm to the true and first inventor or inventors of such manufactures which others at the time of making such letters patent and inventions shall not use.' Upon this statute, however, a complete system of law and jurisprudence had been built, and a great number of formalities had been established on the process of obtaining a patent which caused considerable delay. Thus a patent was required for each kingdom separately, the cost for the three kingdoms being from 300*l.* to 350*l.* The system of caveat was most objectionable. There was a want of protection until the patent was sealed, there was a want of access to specifications, and there were many abuses consequent on vague or general titles. Many in fact, were the defects in the patent law which needed a prompt remedy, and for that purpose a bill was introduced early in 1851. The bill, however, was remitted to a select committee, and nothing was done that session.

Though the report of the committee dealt mainly with the principal defects of the Patent Law as it stood, the evidence of Ricardo, Brunel, and others started objections to the very principle of a patent law, which, though not sufficiently mature to arrest legislation, indicated a further stage of change and progress for which even now we are not quite prepared. In the opinion of the advocates of the patent law, he who introduces a new trade into

¹ 21 Jac. I. c. 3.

the realm, or an invention tending to the furtherance of a trade, should have the right of the sole use of the same for a reasonable time. In their views a patent is the best mode of remunerating the person for introducing such an improvement or manufacture. The grant of a patent is based on a bargain between the inventor and the public. The inventor is not obliged to declare his discovery or invention—he may work it in secret. But the public wish to have the benefit of his invention. They desire not only to have the result of his invention, but to know how the invention has been produced, in order that they may obtain the knowledge for future use. And how can they obtain such knowledge except from the inventor himself? Surely the knowledge of the facts connected with such discovery is the property of the inventor, which no legislation whatever can touch, and it must rest absolutely with him whether he will make known such facts to the public or not. To secure his consent, therefore, the public say to him, ‘Tell us your secret, and we will assure you against any unfair use of your discovery.’ Legislation thus steps in and says, There being two facts, the right of the inventor to keep his own discovery to himself, which is indefeasible, and the wish of the public to get and use that discovery, the two desires must be made mutual, and a bargain settled between the public and the inventor.

The opponents of the patent law, on the other hand, allege that such laws are really prejudicial to inventors themselves; that in the present state of things, when all branches, whether in manufacture or art, are in such an advanced state, and when every process in production consists of a combination of the results of the improvements effected at different times, a good invention is rarely a new idea, suddenly propounded or coming as by inspiration into the mind of man, but is simply some sensible improvement upon what has been done; that in most cases it is some small modification, which may produce very important results; that to produce a good thing one must be well acquainted with all that has been done in any particular branch; that anything so done is in a vast majority of cases dependent entirely upon the success of previous steps, which already exclusively belong to individuals by patents or otherwise; and that many of the most important inventions, such as that of paper, oil painting, glass painting, &c. were made without patents. Such objections, however, were not pressed with any weight upon the committee's attention, and on the following session the Patent Law Amendment Act, 1852, was passed, supplemented by another Act on the following year, providing that all letters patent for inventions shall be made subject to the condition that the same shall be void at the expiration

of three years and seven years respectively from the date thereof, unless there be paid 50% at the end of the third year and 100% at the end of the seventh year. These fees, though smaller than were charged under the old system, are large enough to be a burden on inventors, whilst they do not prevent many trivial and even useless inventions being made the subjects of patent monopoly.⁴

The question of the policy or impolicy of the patent law is not yet settled. In 1865 a royal commission was appointed to inquire into the working of the law relating to letters patent for inventions, on which occasion much evidence was received on the defect of the patent law. In 1870 a Committee of the House of Commons was appointed with full power to inquire into and report on every point of the important question, and after giving to the whole matter the most careful attention, the report was to the effect that the privilege conferred by patents promotes the progress of manufactures, by causing many important inventions to be introduced and developed more rapidly than would otherwise be the case; that the same privilege leads to the introduction and publication of numerous improvements, each of a minor character, but the sum of which contributes greatly to the progress of industry; that, in the absence of the protection of letters patent, the competition of manufacturers among themselves would doubtless lead to the introduction of improved processes and machinery, but that it would probably be less rapid than under the stimulus of a patent law; and that it does not appear that the granting of pecuniary reward could be substituted with advantage to the public interest for the temporary privilege conferred by letters patent. Still more recently, an international patent congress was held at Vienna, on the occasion of the international exhibition, and the conclusions arrived at were, that protection of inventions should be guaranteed by the laws of all civilised nations, because the sense of right among civilised nations demands the legal protection of intellectual works; because such protection affords, under the condition of a complete specification and publication of the invention, the only practical and effective means of introducing new technical methods, without loss of time and in a reliable manner, to the general knowledge of the public; because the protection of invention renders the labour of the inventor remunerative, and so induces competent men to devote time and means to the introduction and practical application of new and useful technical methods and improvements, and attracts capital from abroad, which, in the absence of patent

⁴ From 1832 to 1878 only about 30 per cent. of the patents paid the third year's stamp duty of 50%, and continued in force till the end of the seventh year, and about 11 per cent. paid the seventh year's stamp duty of 100%, and consequently remained in force for the full term of fourteen years.

protection, would find means of secure investment elsewhere; because by the obligatory complete publication of the patented invention the great sacrifice of time and of money, which the technical application would otherwise impose upon the industry of all countries, is considerably lessened; because by the protection of invention, secrecy of manufacture, which is one of the greatest enemies of industrial progress, loses its chief support; because great injury would be inflicted upon countries which have no patent laws, where native inventive talent to emigrate to more congenial countries, where their labour is legally protected; and because experience shows that the holder of a patent will make the most effectual exertions for a speedy introduction of his invention.

Patent laws are enacted in almost every civilised state. In Austria, a patent is granted for every new discovery, invention, or improvement, extending over the entire Austrian empire, for a period of fifteen years. The patent is granted only to the inventor or his accredited agent, and for an invention not in use within the empire. In Belgium, the patent is granted for twenty years to the inventor who has not obtained a patent for the same invention for any other country. If a patent has been first obtained in any other country, the term of the Belgian patent would be for so long as it lasts in that country. In Germany, patents are granted for new inventions, the application being first submitted to examination, for a period of fifteen years. If the patent be obtained by fraud, or by a stranger not having a representative in Germany, the patent is forfeited. In France, a patent is only applicable to discoveries relating to industrial art, and is granted for fifteen years. In Denmark, important inventions are protected for ten years, though usually a patent runs for three, four, and five years. In the Netherlands, by a law of 1870, no fresh patents for inventions or improvements were to be granted. In Switzerland, no special laws exist for the encouragement and protection of inventors. Public opinion in the Confederation is opposed to the patent law, the accepted theory being that inventions should be considered as common property. In the United States of America patents are granted for seventeen years. In some countries, a patent is granted as a matter of course, if the formal procedure be complied with. In others, a patent is granted only upon and after previous inquiry. In some countries patents are granted to the inventor only; in others, to the first importer also. But nearly all civilised states have patent laws for the furtherance of art and industry.

How far patent laws have contributed to the present advanced progress of art industry, is extremely difficult to say. Doubtless some of the most remarkable inventions have been made without any patent to foster them. Nevertheless, it is a matter of common

experience that progress has been more rapid and thorough in modern times, and under the *régime* of the patent laws, than was the case at any former period. What is wanted is a little more care in the granting of patents, a little more sifting of inventions, a little more regard to their utility. If the patent law is to be a stimulus to invention, the fees should not tend to discourage the poorest from availing himself of it. Whilst we must protect the public from being cumbered by a multitude of useless patents, which narrow the field of industry, we must smooth the path for the protection and encouragement of really useful inventions. We must give to foreign inventors the same right as to native inventors to come to our courts for their patents, and to ask for full protection against their infringement; and there is no reason why international conventions may not be concluded for the exercise of the rights of invention, in the same manner as in the case of copyright and trade-marks.

Of a kindred character to the law of patent is the law of Copyright. By common law the author of an original work was supposed to have for ever the right of multiplying copies of the same, and when the copyright was purchased from an author it was understood to continue in force without any limitation of time. It was in the reign of Queen Anne⁵ that the right was first limited. Then, and then only, it was enacted that the authors' right—the sole right of printing and reprinting their works—should be secured for fourteen years, and if they should be living at the close of that period, for another fourteen years. But the Act remained practically a dead letter, and in defiance of that measure the Court of Chancery gave frequent injunctions to restrain the piracy of books, as in the case of the 'Whole Duty of Man,' 'Miscellanies of Pope and Swift,' and Milton's 'Paradise Lost.' In 1766 an action was instituted⁶ for printing Thomson's 'Seasons,' and judgment was given in favour of the existing copyright, the opinion being that copyright was perpetual at common law, and that it was not limited by statute, except as to penalties. When, however, the case came before the House of Lords, it decided by a small majority that the statute of Anne had substituted a short term of copyright for an estate in fee. The limitation of the right being once established, the extent of that limitation became the subject of discussion, and in 1814 it was enacted⁷ that an author should have a copyright of his works for twenty-eight years, and if he should survive that period that it should continue during the remainder of his life.

Thus stood the law, when, in 1837, Mr. Talfourd in a speech full of eloquence introduced his bill in the House of Commons to extend the limit still further. 'When the opponents of literary property,'

⁵ 8 Anne, c. 19 (1709).

⁶ *Millar v. Taylor*, 4 Burr. 2303 & 2408.

⁷ 54 Geo. III. c. 156.

he said, 'speak of glory as the reward of genius, they make an ungenerous use of the very nobleness of its impulses, and show how little they have profited by its high example. When Milton, in poverty and in blindness, fed the flame of his divine enthusiasm by the assurance of a duration coequal with his language, I believe, with Lord Camden, that no thought crossed him of the wealth which might be amassed by the sale of his poem; but surely some shadow would have been cast upon "the clear dream and solemn vision" of his future glories, had he foreseen that, whilst booksellers were striving to rival each other in the magnificence of their editions, his only surviving descendant, a woman, should be rescued from abject want only by the charity of Garrick, who at the solicitation of Dr. Johnson gave her a benefit at the theatre which had appropriated to itself all that could be represented of "Comus." The liberality of genius is surely ill urged for our ungrateful denial of its rights. The late Mr. Coleridge gave an example, not only of its liberality, but of its profuseness, while he thought not even to appropriate to his fame the vast intellectual treasures which he had derived from boundless research, and coloured by a glorious imagination; while he scattered abroad the seeds of beauty and of wisdom to take root in congenial minds, and was content to witness their fruits in the production of those who heard him. But ought we therefore the less to deplore, now when the music of his divine philosophy is for ever hushed, that the earlier portion of those works on which he stamped his own impress, all which he desired of the world that it should recognise as his, are published for the gain of others than his children, that his death is illustrated by the forfeiture of their birthright? What justice is there in this? Do we reward our heroes so? Did we tell our Marlboroughs, our Nelsons, our Wellingtons, that glory was their reward—that they fought for posterity, and that posterity would pay them? We leave them to no such cold and uncertain requital. We do not even leave them merely to enjoy the spoils of their victories which we deny to the author. We concentrate a nation's honest feeling of gratitude and pride into the form of an endowment, and teach other ages what we thought, and what they ought to think, of their deeds by the substantial memorial of our praise. Were our Shakespeare and Milton less the ornaments of their country, less the benefactors of mankind? Would the example be less inspiring, if we permitted them to enjoy the spoils of their peaceful victories, if we allowed to their descendants, not the tax assessed by present gratitude and charged on the future, but the mere amount which that future would be delighted to pay, extending as the circle of their glory expands, and rendered only by those who individually reap the benefits, and are contented at once to enjoy and to reward its author? It is in truth the greatness of the blessing which the world inherits from genius that dazzles the

mind on this question, and the habit of repaying its bounty by words, that confuses us and indisposes us to justice. It is because the spoils of time are freely and irrevocably ours, because the forms of antique beauty wear for us the bloom of imperishable youth, because the elder literature of our own country is a free mine of wealth to the bookseller and of delight to ourselves, that we are unable to understand the claim of our contemporaries to a beneficial interest in their works. Because genius of necessity communicates so much, we cannot conceive it as retaining anything for its possessor. There is a sense indeed in which the poets "on earth have made us heirs of truth and pure delight in heavenly lays;" and it is because of this very boon, because their thoughts become our thoughts, and their phrases unconsciously enrich our daily language; because their works, harmonious by the law of their own nature, suggest to us the rules of composition by which their imitators should be guided; because to them we can resort, and "in our golden urns draw light," that we cannot fancy them apart from ourselves, or admit that they have any property except in our praise.* It was not, however, till 1842⁸ that the new copyright law was passed, which confirmed this right in the author during his lifetime, and conferred it on his heir in the event of the author's dying before the expiry of forty-two years after the publication of his writings to the extent of that period.

In 1875 a Royal Commission was issued to make inquiries with regard to the laws and regulations relating to home, colonial, and international copyright, and in pursuance of its recommendations in 1878, a bill was introduced at the end of the Session in 1879 by Her Majesty's Government, granting a copyright in books in the case where the author is alive for life, and thirty years after his death; and when he is dead, for thirty years from the date of the first publication. The bill deals with copyright in painting, sculpture, engravings, and photographs, and as respects translations of foreign works, it prohibits a translated work without the written consent of the author to them three years from the date of publication. The subject of copyright will doubtless be legislated upon in the session of 1879.

In nearly all countries the right of authors is now likewise secured during his or her lifetime, and even for a limited number of years after death. In France, the law of 1793 declared that the right should extend during life only; the law of 1810 guaranteed the same right to the widow and to the children for twenty years, and the law of 1854 extended the period to thirty years. In the United States the term of copyright is twenty-eight years from the date of recording, but it is capable of being extended for fourteen years longer. In Germany, the time fixed by the law of 1845 is for the life of the author and for thirty years after his death. An

⁸ 5 & 6 Vict. c. 100.

international copyright⁹ exists between the United Kingdom and Germany, Belgium, France, and Italy; and though the United States have refused to enter into any international copyright with Great Britain, there is, we trust, sufficient good faith and sense of honour among the principal publishers in both countries to render the rights of authors practically protected on both sides of the Atlantic. The trade of publishing and bookselling forms an important staple of national industry. It requires the investment of a considerable amount of capital, and gives employment to a large number of persons. And thankful we should be that the reputation of British literature for variety and solidity, as well as for freedom from licence, and high tone of morals, is unexcelled by the literature of any other country. Of course if it be proper that the authors' rights should be protected, so should the rights of artists, and accordingly a copyright also exists in every original painting, drawing, and photograph made by any British subject resident within the dominion of the Crown,¹⁰ and also a copyright in designs for ornamenting articles of manufacture,¹¹ the latter applying to every design, whether the application thereof take place within the United Kingdom or elsewhere, and whether the inventor or proprietor of such design be or be not a subject of her Majesty.

Quite recently another description of industrial right has been created. It has been long the custom of manufacturers to stamp the articles which they produce with their names, or to apply to such articles certain marks as a guarantee that the article is of their own make and of the description represented, and great is the confidence generally accorded to such marks in foreign markets. Unfortunately, however, in consequence of frequent piracies of such marks by the counterfeiting of them, or the application of similar marks to inferior articles, all security for the proper correspondence between the article and the mark ceased to exist, and the manufacturers found themselves supplanted by inferior goods. The law was clear enough that no man has a right to dress himself in colours or adopt and bear symbols to which he has no peculiar or exclusive right, thereby to personate another person, for the purpose of inducing the people to suppose either that he is that other person, or that he is connected with him and selling the manufacture of such other person while he is really selling his own. And whenever it was found that a fraudulent attempt was made to pirate another person's name or label, the courts of equity

⁹ By an act of 1838, the 1 & 2 Vict. c. 19, the crown was empowered by an order in council to give to books, prints, music, and similar articles from foreign countries the same privileges of copyright as were enjoyed in this country, provided those countries conceded reciprocal privileges. By an act passed in 1824, the 7 Vict. c. 12, these powers were extended to sculpture and other works of art.

¹⁰ 25 & 26 Vict. c. 68.

¹¹ 5 & 6 Vict. c. 100, and 24 & 25 Vict. c. 73.

granted a remedy by an injunction to restrain such party from using the name or label of another. By a statute of George II. persons affixing stamps to foreign linens in imitation of the stamps affixed to those of Scotland and Ireland forfeited 5*l.* for each offence, and persons exposing for sale or packing up any foreign linens as the manufactures of Great Britain and Ireland, forfeited the same, and 5*l.* for each piece of linen so exposed for sale or packed up. So the Legislature empowered the Goldsmiths' Company to call upon the manufacturers to bring all the articles they made to their hall, for the purpose of being assayed and stamped with their hall marks. And the Cutlers' Company of Sheffield were empowered to grant marks to any persons carrying on any of the incorporated trades, with power of summary jurisdiction before two magistrates to enforce such regulations. Apart, however, from these special laws, the general remedy afforded against the counterfeiting of trade marks was by suit in equity, which was in many cases insufficient. Consequently, in 1862, an Act ¹² passed, by which every person who, with intent to defraud or to enable another to defraud any person, should forge or counterfeit any trade mark, or apply such forged or counterfeit mark to other goods than the same is intended to represent, was made guilty of a misdemeanour. And, in 1875, a registration of trade marks was established under the superintendence of the Commissioner of Patents.¹³ The principle thus legally sanctioned will prove a check, we trust, to practices unworthy of any honourable manufacturer. It is only right that a fraud of this nature, which is really a theft of a man's reputation, should be made penal in every country, and it is satisfactory to find that by treaties concluded with different states protection against such fraud has been secured to foreign as well as to native subjects. The law of France of 1857 gave protection to trade marks. Similar laws exist in Germany, dated November 30, 1874; Austria, December 7, 1838; Belgium, April 1, 1878; Italy, August 30, 1868; and Spain, 1872. In other countries new laws on the subject are being introduced. Treaties on the subject of trade marks have been conducted between Great Britain and Austria, Belgium, Colombia, France, Italy, Russia, Germany, and the United States of America.

¹² 25 & 26 Vict. c. 78.

¹³ 38 & 39 Vict. c. 91, amended by 39 & 40 Vict. c. 33, and 40 & 41 Vict. c. 37.

CHAPTER XIII.

COMMERCIAL LAWS REFORMS.

ALIENS—Introduction of new Industries by Foreigners.—Restrictive Laws against Foreigners.—The Act of 1843.—The Naturalisation Act of 1870
BANKRUPTCY LAWS—Influence of Credit on Commerce.—History of the Bankruptcy Laws.—The Acts of 1849 and 1869.
WEIGHTS AND MEASURES.—Advantage of a uniform System.—The Standards of Weights and Measures.—The Weights and Measures Act of 1878.
USURY LAWS.—History of the Rate of Interest.—Abolition of the Usury Laws.

SECT. 1.—ALIENS.

For the promotion of commerce we cannot open our doors too wide to the merchants of all countries. It would be an interesting inquiry to ascertain how many of those industries which now thrive so prosperously in this country were originally introduced by foreigners. We owe banking to the Lombards, the silk industry to the French and Italians, the sugar refinery to the Germans. And it is the same with other countries. France is largely indebted to the Italians, Holland to the French, and America to English, Irish, and German immigrants. We almost imagine that without the foreign element engrafted upon it a country would soon lose its energy and suffer in its best interests.

In England, public policy was at the first in favour of foreign merchants, and *Magna Charta* expressly excepted merchant strangers from all restrictions against aliens, the advantage of inducing foreigners to come having been fully recognised by the first princes of the House of Plantagenet, and especially by Edward III. But from Richard II. to the Revolution, except perhaps during the reign of Elizabeth, a different policy prevailed, and foreigners were regarded with feelings of jealousy and aversion, and even subjected to odious restraints. They were prohibited from selling by retail; they were obliged to sell their merchandises within a certain time after their coming into this country, and to invest their proceeds in British produce. Sir Josiah Child, Algernon Sydney, Sir William Petty, and Sir William Temple endeavoured to disabuse the public mind respecting the bad influence of foreign settlers. Nevertheless con-

siderations of a political character stood for a considerable time in the way of any radical reform. After the Reformation, when the policy of excluding Roman Catholics from the realm became a question of state, a further difficulty was interposed to the denisation of foreigners by the enactment that no one should be naturalised unless he had received the sacrament of the Lord's Supper, and unless he had taken an oath of supremacy and allegiance. This state of things was confirmed and firmly established by the Act of Limitation of William III., and it was then enacted that no person born out of the United Kingdom, and of the colonies, even though naturalised or denised, unless born of English parents, should be able to become a member of the Privy Council or of either House of Parliament, or to fill any office of trust, civil or military, or to receive from the Crown any grant of land, &c. In progress of time, however, the constant influx of refugees from France in consequence of the revocation of the Edict of Nantes opened the mind of the nation to the great utility of giving ample facilities to such migration, and a statute was passed allowing aliens to acquire the rights of natural born subjects by their taking the oath of allegiance. Still it was not till the sixth year of George IV. that aliens were relieved from the necessity of taking the sacrament in case of naturalisation; and with a few modifications, introduced at different times, the law continued to impose many disabilities on aliens, whether friends or enemies.

When Mr. Hutt introduced his bill in 1843, aliens were debarred from the possession of real property, and certain descriptions of personal property; they could not take houses on lease for a term of years without danger of forfeiture; nor hold British registered shipping nor any share therein; they could not claim any commercial benefits by virtue of treaties with other states, and were absolutely excluded from all places of trust. By obtaining from the crown letters patent of denisation, foreigners were relieved from these disabilities so far that they could hold and transmit all kinds of real and personal property, but they could only transmit real property to such of their children as might have been born subsequent to their denisation. They were also permitted, when otherwise qualified, to vote at elections of members of Parliament. But it was only by obtaining from Parliament an act of naturalisation, that foreigners acquired all the privileges of denisation and a slight addition to them. Foreigners might inherit real property and transmit it to any of their children without distinction as to the time of their birth; and when they had resided in this country seven years from the period of their naturalisation, without having quitted it for more than two months at any one time, they became entitled to the benefit of British treaties in their commercial relations with

foreign states. But to either of these methods the great objection was the expense and delay attending them, whilst the whole law required to be ascertained and consolidated. To remedy this state of things, an Act¹ was passed which provided that alien friends might take and hold by purchase, gift, bequest, &c., any species of personal property as effectually and with the same rights and remedies as if they were natural born subjects, and that they might grant, lease, devise, bequest, &c., and hold land or houses for any number of years not exceeding twenty-one; but that upon taking the prescribed oath aliens might become naturalised by obtaining a certificate from the Secretary of State for the Home Department, by which they could enjoy all the rights and capacities which a natural born subject of the United Kingdom can enjoy or transmit, except the right of becoming a member of her Majesty's Privy Council or of either House of Parliament. Since then, however, the law relating to aliens has again been greatly altered. By the Naturalisation Act of 1870,² an alien may now hold real and personal property of every description in all respects as a natural born British subject, and by acquiring a certificate of naturalisation, he becomes entitled to all political and other rights, powers, and privileges, in the same manner as a natural born British subject.

SECT. 2.—BANKRUPTCY LAWS.

In a country so eminently commercial as Great Britain, misfortunes, miscalculations, and disasters, will ever go hand in hand with success and prosperity. Sometimes the result of grave error or misconduct, sometimes the consequence of accidents and misfortunes, and at other times the effect of a combination of events altogether beyond control, whatever may be the cause, bankruptcy is of no unusual occurrence in this and other commercial countries. Indeed, when we consider the large number of traders and the amount of business carried on between the merchants of the United Kingdom and with every part of the world, we may well wonder that the losses are not much greater, and that the number of traders who are annually wrecked is not considerably larger. Think of the immensity of the transactions, the risk run, the time for which the risks are pending, the distance of the parties carrying on mutual trading, and the multitudinous circumstances, social, political, and economical, which influence trade. Think of the liberality with which credit is granted, the amount of confidence exhibited, and the extreme facility with which commercial transactions of enormous magnitude are daily concluded.

What could England do without credit? Credit is the life of commerce. In a country where private credit is accessible to

¹ 7 & 8 Vict. c. 49.

² 33 Vict. c. 14.

all useful enterprises, a person active and intelligent may undertake commercial or industrial operations with comparatively small resources. Where, on the contrary, there is no credit, commerce languishes and becomes the exclusive domain of rich capitalists, the effects of which are a want of competition and comparative dearth of every article of consumption. It is by credit that the whole capital of the country is rendered productive. It is by credit that the great machinery of human transactions is supported and speeded. Although not of itself a productive power, credit is a great purchasing power: it is a moving power, which at the command of the merchant creates commodities. A loss sustained through the misuse of credit is practically the same as a loss sustained by the absolute diminution of capital. And when such is the case, need we wonder that the state provided specific laws for the preservation of credit?

The laws regulating the rights of debtor and creditor have partaken very much of the characteristics of the countries and ages in which they were enacted. Among the Greeks, and prior to the era of Solon, the insolvent debtor became, together with all his family, the slave of his creditor, and as such he might be sold into foreign parts to pay a debt. Among the Romans the debtor was at first treated with unusual severity, but under Julius Cæsar with great leniency. Among the Jews the creditor had a right to seize the person of his debtor, of his wife and children, except that once in every seven years the debt was cancelled. In progress of time, however, laws of such a nature were abandoned for a more humane system. In England, the necessity of taking the jurisdiction in matters of bankruptcy out of the hands of the common law, arose very early with the extension of trade. A statute passed during the reign of Henry VIII.³ empowered certain commissioners to proceed against 'such as do make bankrupt,' and to take the bodies of the offenders, with their lands, goods, and chattels, for payment of all the creditors rateably according to the quality of their debts. During the reign of Elizabeth⁴ the same power was given to other commissioners, the law being framed exclusively in favour of the creditor. The statute of Anne,⁵ however, for the first time made the innovation, that when the debtor had surrendered the whole of his effects, and conformed to the law of bankruptcy, he should be entitled to his discharge from all further liability for debts previously contracted. These statutes were amended and consolidated by 6 Geo. IV. c. 16, but that again was repealed in 1849 by the 12 & 13 Vict. c. 106. Inasmuch, however, as the Bankrupt Acts were expressly confined to traders, other laws were passed for the relief of insolvent debtors, which constituted a separate system of procedure, and this continued until the bankrupt and insolvent laws were

³ 34 & 35 Hen. VIII. c. 4.

⁴ 13 Eliz. c. 7.

⁵ 4 Anne, c. 17.

amalgamated in 1861.⁶ In 1869 another Bankruptcy Act was passed, and that together with the Debtors Act constitute the present law. Complaints are, however, rife against their operation, and a reform will speedily become necessary.

SECT. 3—WEIGHTS AND MEASURES.

The utility and desirability of a uniform system of weights and measures have long been recognised in the United Kingdom, with a view to the saving of time, the prevention of mistakes, and the avoidance of litigation; and the establishment of such uniformity has been sought by a vast number of legal enactments, determining the standards, prescribing the manner of using weights and measures, charging certain persons with the control of the same, and establishing penalties and punishments. And yet but little progress has been made towards the attainment of the object, partly because it is impossible to control the despotic influence of custom, and more especially in consequence of the want of principles and adaptation which characterise the weights and measures in use. There was, to say the least, a great want of precision in the definition that 'an English penny, called a sterling, round and without clipping, shall weigh thirty-two wheat corns in the midst of the ear,' or that 'three barley-corns, round and dry, make an inch.' We need not wonder that, starting from such a basis, everything was involved in great confusion.

To remedy this state of things, a committee of the House of Commons was appointed in 1758 to inquire into the standards of weights and measures; and, upon their report, a yard measure, constructed by Bird, was declared to be the 'standard yard,' and a new Troy pound, constructed under the direction of the committee, was declared to be the legal standard of weights. But such arrangement does not appear to have satisfied the demands of science, and an absolute necessity existed for remedying the grievous defects of the weights and measures in use. Hence, in 1814, a committee of the House of Commons was appointed to inquire into the original standards of weights and measures, and their report was, that a pendulum vibrating in a given time and place was the best standard of measure; that the unit of weight should be ascertained from that of a number of cubic inches of distilled water at a given temperature; and that the unit of capacity should be a vessel containing a given weight of distilled water. Having once fixed on the vibrations of the pendulum as the best standard of measure, the next question was how to measure such vibrations. Accordingly, on March 15, 1816, an address was moved in the House of Commons to the Prince Regent, desiring him to give directions for ascertaining the length of the pendulum

⁶ 24 & 25 Vict. c. 134.

vibrating seconds in time, in the latitude of London, as compared with the standard measure in possession of the House. The Prince Regent complied with the wishes of the House, and the work was entrusted to the Astronomer Royal, with the assistance of the Royal Society. Experiments were then instituted for the purpose, and a report was given in; but, though a bill founded upon it was introduced in the House of Commons, no progress was made with it.

In 1819 a royal commission was appointed to consider how far it might be practicable and advisable to establish within his Majesty's dominions a more uniform system of weights and measures, but again the result was very unsatisfactory, the commissioners having shrunk from the difficulty of either proposing a purely scientific basis, or of imposing absolute uniformity. They saw no practical advantage in having a quantity commensurable with any original quantity existing, or which may be imagined to exist, in nature, except as affording some little encouragement to its common adoption by neighbouring nations. They thought it scarcely possible that the departure from a standard, once universally established in a great country, should not produce much more labour and inconvenience in its internal relations than it could ever be expected to save in the operations of foreign commerce and correspondence, which always are, and always must be, conducted by persons to whom the difficulty of calculation is comparatively inconsiderable, and who are also remunerated for their trouble either by the profits of their commercial concerns or by the credit of their scientific acquirements. And they were of opinion that the duodecimal scale of division was much preferable to the decimal scale. Their report was therefore strictly conservative in its general character. They recommended for the legal determination of the standard yard that which was employed by General Roy in the measurement of a base on Hounslow Heath, as a foundation for the trigonometrical operations carried on by the ordnance throughout the country. And they proposed, upon the authority of the experiments made by the committee of the Royal Society, that it should be declared, for the purpose of identifying or recovering the length of this standard, in case that it should ever be lost or impaired, that the length of a pendulum vibrating seconds of mean solar time in London, on the level of the sea, and in a vacuum, is 39.1372 inches of this scale; and that the length of the mètre employed in France, as the ten-millionth part of the quadrantal arc of the meridian, has been found equal to 39.3707 inches. The measures of capacity the commissioners recommended to be calculated by the weight of the water these are capable of containing; and they proposed the adoption of a new standard gallon, containing ten pounds avoirdupois of distilled water, at 62° of Fahrenheit. As for the general principles of uniformity, whilst

the commissioners fully acknowledged that it is desirable in every commercial country, in order to the saving of time, the prevention of mistakes, and the avoidance of litigation, they expressed their opinion that such uniformity cannot consistently with logical accuracy, with natural justice, and with the liberty of the subject, be very precisely defined, or very peremptorily and arbitrarily enjoined on every occasion. Another committee of the House of Commons was afterwards appointed on the same subject, and the result was the passing of an Act, in 1824,⁷ fixing the standards of weights and measures, and otherwise making regulations for establishing uniformity in the same. By that Act, for the first time a formal definition was given to the unit of measure, by declaring that the straight line or distance between the centre of the two points in the gold studs in the brass rods, now in the custody of the clerk of the House of Commons, whereon the words and figures 'Standard Yard, 1760,' are engraved, shall be, and the same is hereby declared to be, the original and genuine standard of that measure of length or lineal extension called a yard; and that the straight line, or distance between the centres of the two points in the said gold studs in the said brass rod, the brass being at the temperature of 62° of Fahrenheit's thermometer, shall be, and is hereby denominated, the *Imperial Standard Yard*, and shall be, and is hereby declared to be, the unit or only standard measure of extension. The Weights and Measures Act of 1878⁸ consolidated the law on the subject. It confirmed the principle that the same weights and measures shall be used throughout the United Kingdom; it defined the standards; it provided for their restoration; it permitted certain secondary standards derived from the imperial; and though it allowed contracts to be valid if expressed in weights and measures of the metric system, and authorised the Board of Trade to verify metric weights and measures to be used for the purpose of science or of manufacture, it excepted those used for the purpose of trade within the meaning of the Act, the Act providing that every contract, bargain, sale, or dealing made in the United Kingdom for any work, goods, wares, or merchandise, to be done, sold, delivered, carried, or agreed for by weight and measure, to be made according to one of the imperial weights or measures, or to some multiple or part thereof.

SECT. 4.—USURY LAWS.

The abolition of the usury laws was another important reform. At one time strong opinions were entertained respecting the immorality and even illegality of lending money at interest. By a statute of Henry VIII.⁹ the maximum allowable rate of interest

⁷ 5 Geo. IV. c. 74.

⁸ 41 & 42 Vict. c. 49.

⁹ 37 Hen. VIII. c. 9.

was 5 per cent., but any legalisation of the rate was objected to; and under Edward VI.¹⁰ a statute was passed prohibiting the taking of any interest, and rendering the money lent and the interest subject to forfeiture, and the offender liable to fine and imprisonment. An Act of Elizabeth¹¹ confirmed the statute of Henry VIII., and ordained that all brokers should be guilty of a *præmunire* that contracted for more than 5 per cent., and that the securities themselves should be void. Under James I.¹² the rate of interest was fixed at 8 per cent.; under Charles II.¹³ at 6 per cent.; and under Queen Anne¹⁴ at 5 per cent, the latter Act providing that all contracts and agreements, whereupon or whereby there shall be received or taken directly or indirectly any higher rate of interest, shall be utterly void, and that the mere act of taking a higher rate of interest than the one mentioned, even though the original contract should be perfectly valid, shall render the offender liable to forfeit treble the value of the money lent by him. But all such Acts proved barren of real results, and they had to be relinquished, though not without considerable misgivings. In 1818 a committee of the House of Commons was appointed to consider the effect of the laws that regulate or restrain the interest of money, which examined, amongst others, Mr. David Ricardo, Sir Samuel Romilly, Mr. Edward Sugden (afterwards Lord Chancellor St. Leonards), Mr. John Thornton, and Mr. Nathan Rothschild. After much inquiry, the committee reported that the laws regulating or restraining interest had been extensively evaded, and had failed of the effect of imposing a maximum on such rate; that of late years, from a constant excess of the market rate of interest above the limit permitted by law, they have added to the expense incurred by borrowers on real security, and that such borrowers were compelled to resort to the mode of granting annuities on lives, a mode which was made a cover for obtaining higher interest than the legal rate, and further subjected the borrowers to enormous charges, or forced them to make very disadvantageous sales of their estates. In the opinion of the committee, the construction of such laws as are applicable to the transactions of commerce, as then carried on, was attended with much uncertainty as to the legality of many transactions of frequent occurrence, and, consequently, was productive of much embarrassment and litigation. And that that period, when the market rate of interest was below the legal rate, afforded an opportunity peculiarly suitable for the repeal of the said laws. But, notwithstanding such a decided report, no steps were taken either to abolish or to lessen the inconvenience of the usury laws. Public opinion was not yet ripe for the change. During the crisis of 1826, however, it was felt that the prohibition to charge more than 5 per cent., when the value of money was

¹⁰ 5 & 6 Edw. VI. c. 20.¹¹ 13 Eliz. c. 8¹² 21 Jac. I. c. 17¹³ 12 Car. II. c. 13.¹⁴ 12 Anne, c. 16.

much higher, practically prevented borrowers from obtaining accommodation, and rendered the crisis still more calamitous. When, therefore, the Bank Charter Act had to be renewed, the committee of 1832 decided that it would be expedient to repeal the usury laws, as far as regarded bills of exchange of three months and under. And, accordingly, an Act to that effect was passed in 1833.¹⁵ In 1836, upon the occurrence of another panic, the evil of the usury laws was still more felt; and in 1837 an Act passed to extend the law of 1837 to bills of exchange of twelve months and under.¹⁶ In 1839,¹⁷ the law was again relaxed, by rendering it lawful to stipulate for any rate of interest upon which the parties might agree as to all personal contracts, but made an exception as to real securities. The question was again raised by Lord Lansdowne in 1841, upon which occasion Lord Ashburton said that the relaxation had conferred great benefit on the lender, but not on the borrower. A committee of the House of Lords was then appointed to inquire into the effect of the alteration made in the laws regulating the interest on money, but that committee made no report, and only published the evidence. And thus the law remained till 1854,¹⁸ when a bill was introduced to abolish all the usury laws. Hitherto all the steps taken had been of a tentative character, because, in ignorance of the economic principles which regulate money as a medium of exchange, people could not be brought to believe that money was as much a commodity as any ordinary article of produce, that its value must be regulated like the value of any other commodity, by the ordinary principles of demand and supply, and that it was as impossible to fix the rate of interest at which it should be lent as to fix the price at which corn and butter should be sold. This prejudice, however, gradually disappeared, and it became easy to extend the same principle with respect to interest on money lent on land and other property as on bills of exchange. As a matter of fact, people were not deterred from raising money upon such securities at a higher rate of interest than 5 per cent. by the state of the law, only they had recourse to collusive practices and fraudulent proceedings in order to evade its operation, the result of which was that a much higher rate was paid than if money could have been obtained at the market value. The usury laws produced immense inconvenience; they affected to do what all the powers of the Legislature could not do—to apply a different principle to one description of commodities from that which was applied to every other, and they interfered with the principle of supply and demand—and so they were altogether abolished.

¹⁵ 3 & 4 Will. IV. c. 98.

¹⁷ 2 & 3 Vict. c. 37.

¹⁶ 7 Will. IV. & 1 Vict. c. 80.

¹⁸ 17 & 18 Vict. c. 90.

CHAPTER XIV.

MR. GLADSTONE'S BUDGET.

The Chancellor of the Exchequer.—Mr. Gladstone.—Previous Reforms in the Excise, Customs, and Inland Revenue.—The Income Tax.—The Soap Duty.—The Tea Duty.—The Customs Tariff.—The New 2½. 10s. Stock.—Duties on Receipts and Bills of Exchange.—The Expenses of War

IN Mr. Gladstone England has had a minister of finance of the highest order. Of business habits and with mercantile sympathies, a scholar and a statesman, a man of wide observation and comprehensive views, grave in speech and earnest in character, Mr. Gladstone is the very personation of a minister dealing with the finances of a state. The Chancellor of the Exchequer in the British Cabinet has duties scarcely inferior to those of the Prime Minister. Properly to regulate the wants of the nation and to estimate its resources, to anticipate with any exactitude the produce of taxation, and to balance the burdens on different classes of society—these, though only the elementary principles of the science of finance, are matters fraught with enormous difficulties. It seemed wonderful that Mr. Pitt could so well provide for the extraordinary exigencies of a protracted war. It was almost by a *coup de main* that Sir Robert Peel converted a bankrupt exchequer into an exchequer at once provident and affluent. But what seems magic or a *coup de main* is only the evolution of wisdom, the foresight of the minister, and in these qualities Mr. Gladstone rivalled, and perhaps excelled, his eminent predecessors.

Mr. Gladstone was in the twenty-third year of his age when he entered the House of Commons in the Conservative interest as the nominee of the Duke of Newcastle for the borough of Newark, and in a few years he was called to take part in the government of the country as Lord of the Treasury and Under Secretary of State for the Colonies. In 1841 he was Vice-President of the Board of Trade and Master of the Mint, and in 1843 he succeeded the Earl of Ripon as President of the Board, under Sir Robert Peel's administration, in which capacity Mr. Gladstone gave invaluable aid to Sir Robert in the simplification of the tariff. But Sir Robert Peel's ministry fell, and Mr. Gladstone, freed from the burden of state, paid a visit to Italy, a visit memorable for the influence it exercised on the government of the late King of Naples,

by the exposition of the abuses of the prison discipline, and their effect on the distinguished patriot Pœrio. In 1847 Mr. Gladstone was elected member for the University of Oxford, but, though still in the ranks of the Conservative party, he refused to join the Earl of Derby's ministry in 1852. A year after, however, the Coalition Cabinet was formed, and Mr. Gladstone assumed in it the conspicuous place of Chancellor of the Exchequer.

Great reforms had already been made in the finances of the country when Mr. Gladstone became Chancellor of the Exchequer. In the excise the duties had been repealed on plate glass,¹ hides and skins,² salt,³ printed silk,⁴ printed cottons,⁵ candles,⁶ tiles,⁷

¹ The duty on plate glass was reduced from 4*l.* 18*s.* to 3*l.* per cwt. in 1819. In 1825 the duty on the manufactured article was repealed, and a duty of 3*d.* per lb. imposed on the fluxed materials. This duty was reduced from 3*d.* to 2½*d.* per lb., whilst 6*d.* per lb. was imposed on the manufactured article in 1832. Again this 6*d.* was reduced to 2*d.* per lb. in 1835. In 1844 the duty was reduced to ¾*d.* per lb., and in 1845 both duty and license were repealed.

² In 1822 the various rates on hide and skin were reduced to one-half, and in 1830 they were repealed. A duty of 1½*d.* per lb. on tawed and lamb skins, and of 1*s.* per dozen on kid skins was repealed.

³ The salt duty in England was reduced from 15*s.* to 2*s.* per bushel in 1823, and the remaining duty was repealed in 1825. One of the earliest benefits derived from the cessation of the war and the reduction of the national expenditure was the abolition of the salt duty. It pressed hard upon the people. No article is more indispensable in the household of the rich and the poor than salt. It gives relish to our food; it promotes cleanliness and health, it is used for a hundred purposes, and, being one of the necessities of life, it was good to render it as speedily as possible free of duty. Yet many nations have taken salt as a fit subject for duty. In ancient Rome salt was heavily taxed. In modern countries it forms the subject of a government monopoly. And in India salt, like opium, has long been monopolised by the state and heavily taxed. The clamour for the repeal of such a duty, when it was at the rate of 15*s.* per bushel, or thirty times the value of the salt, must have been very great, but the Legislature was not prepared to abandon 1,500,000*l.* of revenue from this article. Happily salt is as abundant as it is useful and necessary. Every country in the world seems to produce it. Both kingdoms of nature, the organised and the inorganised, supply it. While whole strata of the earth are covered with rock salt, salt springs, salt lakes, salt marshes, the whole ocean may be said to be a rich mine of salt. A wonderful provision this of nature, which is ever bountiful of the most useful articles, and is always giving liberally of those things which are most wholesome. But the great value of salt is not confined to its dietary purposes. The chemist has analysed its constituent elements, and has revealed to us properties and capacities which few had ever imagined it did possess. Not the least evil connected with customs or excise duties is that they prevent our becoming acquainted with the uses and value of many articles. The constituent parts of salt water are—chloride of sodium 74.9, chloride of magnesium 9.4, sulphate of magnesia 6.4, sulphate of lime 4.4, chloride of potassium 1; and some quantities of bromide of magnesium, carbonate of lime, silicic acid, and ammonia. For a considerable time France was obtaining soda from Spain, and Marseilles was the chief entrepôt for it. But at the commencement of the present century Leblanc discovered the method of manufacturing carbonate of sodium from common salt, the process consisting in first converting the chloride of sodium into a sulphate of soda by means of sulphuric acid, and decomposing the latter by means of coal and carbonate of lime upon the floor of the reverberatory furnace. This was a most useful discovery, which endowed the world with cheap glass, soda, and many other advantages, and it is to be

p,⁸ stone bottles,⁹ starch,¹⁰ stained paper,¹¹ and bricks.¹² In customs the import duties were removed on most of the raw

retted that Leblanc himself never received any reward for his admirable discovery, and lived in poverty and despair. In this country Leblanc's process was first introduced in 1814, on a limited scale, for the preparation of soda stals, which were then sold at 60% per ton; but it was not until 1823 that common salt, having been relieved from taxation, Mr. Muspiatt's works at Warrington were erected, laying the foundation of a manufacture of chemical products which has since become the largest in the world. At first, so great was the benefit derived from the simple conversion of the chloride of sodium into soda, that the muriatic salt produced by it was not collected. It was soon, however, found that it was a compound of chlorine which possessed great bleaching properties. It became then an object of moment to separate the chlorine from the muriatic acid, and this was attained by mixing it with oxide of manganese and sulphuric acid as a dense suffocating yellow gas. As it was inconvenient to transport it either as liquid muriatic acid or as aqueous chlorine, it was combined with lime, thus forming a hypochlorite of lime, a substance known as chloride of lime, or bleaching powder, used for purposes of disinfection, bleaching linen and cotton goods, rags for the manufacture of paper, &c. Thus by a variety of agencies, and by the concurrence of many varied circumstances, the utility of salt has been immensely increased. In a valuable paper on the subject in the *Journal of the Society of Arts*, vol. 1 p. 425, Mr. Owen Huskisson, the processes involved in the manufacture of salt were minutely described, and its uses summed up as follows: 'It is used in the arts as a coarse glaze for pottery, gives hardness to soap; improves the whiteness and clearness of glass. In dyeing it is used as a mordant, and for improving certain colours. It preserves melting metals from oxidation, by defending their face from the air. It is employed with advantage in some assays, and enters into many other important processes. To the chemist it is valuable, as a source of soda and chlorine and their compounds, from which he obtains the chloric acid, and combines with potash to form chlorate of potash, so largely used in the manufacture of lucifers. To the agriculturist salt is useful as a manure and dressing to certain lands. It is used at the table as a flavouring or seasoning agent, being a necessary article of food, essential for the preservation of health and the maintenance of life. It is also largely used in the preservation and curing of alimentary substances. In medicine it is used as a vomit, purgative, to restore the saline constituents of the blood, alterative, astringent, dentifrice; in external application to sprains and bruises; its tonic power proves useful in dyspepsia, and promotes digestion, and in correcting the weakened state of intestines which favours the propagation of worms. Dissolved in water it forms a stimulating bath, and is a chemical antidote against poisoning by the acetate of silver.' The manufacture of alkaline products is itself a most important industry in Newcastle, on the shores of the Tyne, and Lancashire. The economist or the student who wishes to find illustrations of the opposing influences of taxation and science on industrial process, will find a mine of information in the reports of the juries for the International Exhibitions of 1851 and 1862, and more especially in the report on chemical products and processes at the latter exhibition by Dr. Hoffman. Truly the resources which nature offers to our art are inexhaustible, and are still but imperfectly fathomed. How much do we owe to those illustrious few who, wonderfully rich in their power of analysis and depth of intellect, are fortunate enough in laying bare those mysteries which have so long defied the keenest and most patient investigations.

⁸ A duty of 6*d*. per yard on printed silks was repealed in 1826.

⁹ The duty of 3½*d*. per square yard on printed cottons was repealed in 1831. The licence to calico printers of 20*l*. was also repealed.

¹⁰ In 1832 the duties of 1*l*. per lb. on tallow candles and 3½*d*. on wax and macerated candles were repealed, and the licence duty to candle makers of 2*l*. 5*s*. was also repealed.

¹¹ The duties on tiles were repealed in 1833.

materials, and on coals imported coastwise, as well as all export duties on British goods and on coals. Reforms had also been made in the stamp duties, on life and marine insurance, bills of lading, pamphlets, advertisements, and newspapers. Yet with all this much remained to be done to free industry from unnecessary burdens. Unfortunately, however, a pamphlet published by Prince de Joinville, a letter by the Duke of Wellington, a volume by Sir Francis Head, excited considerable apprehensions regarding the state of the army and navy. The *coup d'état* of Napoleon III. in 1852 was regarded as the first step in a career of conquest, and the result was a large increase on the expenditure, always fatal to financial reforms.

It was under these untoward circumstances that Mr. Gladstone succeeded to the management of the finances of the country in 1852; yet in that very year he made the first of those financial statements which, like those of Sir Robert Peel, rendered the delivery of the budget an occasion of absorbing interest to the community. The condition of the revenue was indeed better than Mr. Disraeli had anticipated; but a large sum was required, and the first question for Mr. Gladstone to solve was, Shall the income tax be reimposed? The tax had been in operation from 1799 to 1802, from 1806 to 1815, and from 1842 to 1852. In a time of great difficulty it enabled the Government to raise the income of the country above its expenditure. At another time it had been the instrument by which the Government were enabled to introduce most useful reforms. Why should the Government not resort to such expedient once more, in order to perfect the reforms which were still needed in the commercial and fiscal system? And this was Mr. Gladstone's resolve, though he had serious objections to that method of taxation. 'The general views of her Majesty's Government with respect to the income tax, concluded Mr. Gladstone, 'are, that it is an engine of gigantic power for great national purposes; but, at the same time, that there are circumstances attending its operation which make it difficult, perhaps impossible, at any rate in our opinion not desirable, to maintain it as a portion of the permanent and ordinary finances of the country. The public feeling of its inequality is a fact most important in itself. The inquisition it entails is a most serious disadvantage, and the frauds to which it leads are an evil which it is not possible to characterise in terms too strong.' Having

⁸ In 1833 the soap duties were reduced to one-half the former rates, viz, hard to $1\frac{1}{2}$ d per lb, and soft to 1d per lb. In 1853 they were repealed.

⁹ The duty of 5s per cwt. on stone bottles was repealed in 1834.

¹⁰ The duty on starch of $3\frac{1}{2}$ d per lb was repealed in 1834.

¹¹ In 1836 the duty of $1\frac{3}{4}$ d per square yard on stained paper was repealed. The licence to stained paper makers, 4l, was repealed, and the paper duty reduced to one uniform rate of $1\frac{3}{4}$ d per lb.

¹² In 1839 the duties on bricks were reduced, and in 1850 repealed.

thus decided upon the renewal of the income tax, and upon extending the probate duty over both real and personal property, Mr. Gladstone discussed the proposed remission of taxation.

The first item in his budget under this head was the excise duty on soap, a tax most injurious to the comfort and health of the people, and a burden on manufacturing industry, soap being extensively employed in many processes of manufacture. The excise had established many stringent regulations in order to arrest the surreptitious production of soap, but whilst they were powerless to prevent the making of soap secretly without taking out any licence, they effectively prevented improvements in the processes, so that the quality of soap made in foreign countries, where no such regulations were imposed, was invariably superior to that of English soap. The duty, moreover, was injurious as affecting one of the chief ingredients used in manufactures, and it was so regulated that our manufacturers were in a manner compelled to employ a material which was not calculated to produce soap of the finest quality. The duty down to 1833 was at the rate of 3*d.* per lb. on hard soap, and 1½*d.* per lb. on soft soap, besides the taxes on the raw materials used in its manufacture, such as tallow, barilla, and turpentine or resin, the direct and indirect taxes together forming 120 to 130 per cent. *ad valorem*. In 1833 the duty was reduced 50 per cent., or to 1½*d.* per lb. on hard and 1*d.* per lb. on soft soap, and so it remained till 1853, when, though the amount of revenue produced by it was upwards of 1,000,000*l.*, the duty was entirely abolished.

The next important reform was in the tea duty, which was at the high rate of 2*s.* 2½*d.* per lb. When tea was first used in this country a duty of 8*d.* a gallon was charged on the decoction made from the leaves, but soon after it was changed into a duty of 5*s.* per lb. on the tea itself. With such a high duty, however, as this, smuggling was easy and profitable, and the revenue suffered considerably. In 1745 the necessity of checking this illegitimate traffic having become indispensable, on the recommendation of a committee of the House of Commons, the duty was reduced at least 50 per cent., and the measure succeeded admirably, both commercially and financially. But the Legislature did not understand the economic laws which regulate the consumption of such articles, and in 1759 it again increased the duty from 65 to 120 per cent. Again, however, smuggling became general. The honest dealer was beaten out of the market by the unfair competition of the smuggler, and much temptation to adulteration was thereby afforded. Once more, therefore, the Legislature tried to remedy this evil, and following the precedents of 1745, in 1784 the duty was reduced from 119 per cent. to 12½ per cent. For some time this policy was persisted in with great success, but the exigencies of war in 1795 threw all economic considerations out of view. The

duty was first increased from $12\frac{1}{2}$ to 25 per cent.; then by successive augmentations it was raised to 96 per cent. *ad valorem*, at which rate it continued till 1819, when the duty was raised to 100 per cent. on all tea worth more than 2s. per lb. at the Company's sales. In 1834 the duties were somewhat modified, and in 1830 a uniform duty of 2s. 1d. per lb. was imposed, to which 5 per cent. was added in 1840. At that rate it continued, till in 1853 Mr. Gladstone reduced the duty to 1s. 10d. per lb., with prospective further reductions to 1s. per lb., which, however, the Russian war soon after arrested for some time.

The principle which Mr. Gladstone adopted in the reform of the tariff, was, first, to abolish altogether the duties which were unproductive, except in cases where there might be some special reasons for retaining them on account of their relation to other articles; and in the next place to abolish, as far as considerations of revenue would permit, duties on articles of manufacture except those which were in the last stage as finished articles, and were commonly connected with hand labour—for, in regard to these cases, he thought it more prudent and proper to proceed in the mode, not of abolition, but of reduction. As a general rule, such duties were not to be higher than 10 per cent., but he allowed the silk duties to remain at 15 per cent, out of consideration to a certain class of operatives. He substituted rated duties for duties *ad valorem*; abolished the 5 per cent. addition to customs duties made in 1840; put an end to all differential duties by lowering those on the foreign article to the level of those on the colonial; lowered the duties on many articles of food, and set altogether free 123 articles which produced but a small amount of revenue. Mr. Gladstone anticipated that such remissions would act not only upon the consumers of particular articles, enabling them to increase their particular consumption of the various articles, but that they would act upon consumers generally, and that they would operate powerfully in the extension and invigoration of the trade of the country. 'These,' he said, 'are the proposals of the Government. They may be approved or they may be condemned, but I have at least this full and undoubting confidence, that it will on all hands be admitted that we have not sought to evade the difficulties of our position; that we have not concealed those difficulties either from ourselves or from others; that we have not attempted to counteract them by narrow or flimsy expedients; that we have proposed plans which, if you will adopt them, will go some way towards closing up many vexed questions—questions, such as, if not now settled, may be attended with public inconvenience, and even with public danger, in future years.'

Another financial operation was proposed by Mr. Gladstone in connection with the budget of 1852, but it was not equally suc-

cessful. He wished to create a 2*l.* 10*s.* stock, and he offered to the holders of 3 per cent. either to change it for a new 3½ per cent. stock, guaranteed against redemption for forty years, at 82*l.* 10*s.* of the new for every 100*l.* of the old stock: or a new 2½ per cent., also guaranteed against redemption for forty years, at the rate of 110*l.* of the new for every 100*l.* of the old, or for exchequer bonds at par. The plan was favourably received at first, but no one seemed to act upon it, and eventually only about 3,000,000*l.* of 2½ per cent. stock was taken. In truth, the strength of Mr. Gladstone's operation was the expectation of great changes in the value of money from the discoveries of gold, and as these were not realised no disposition existed to relinquish the 3 per cent. stock, which amounted to 500,000,000*l.*

Any further attempt at financial reforms was to some extent arrested by the war with Russia; yet, in 1853, the great reform was made in the tax on receipts, by reducing the duties from various rates to one uniform rate of 1*d.*; and in 1854 the stamp duties on bills of exchange were greatly reduced. Besides this, in that year the method of paying customs duties by cheques was first introduced, which relieved the trader from all risks in the transmission of notes and coin, the customs department of much needless labour, and bankers of the necessity of keeping a large amount of notes on hand to meet the demands of their customers. In this way a considerable economy in the use of bank notes and coin was effected, and the payment of customs duties was reduced to a system of transfer of credits in the books of private bankers and those of the Bank of England.

Nor must we omit to notice that when the Russian war necessitated a large increase of the expenditure, and a great temptation to resort to loans as in former years, Mr. Gladstone was the first to protest against throwing the burden of present calamities on a future generation. It was desirable, he thought, to make the nation feel the evils of a war expenditure by allowing it to encroach on their comforts. 'The expenses of a war,' said Mr. Gladstone, 'are the moral check which it has pleased the Almighty to impose upon the ambition and the lust of conquest that are inherent in so many nations. There is pomp and circumstance, there is glory and excitement about war, which, notwithstanding the miseries it entails, invests it with charms in the eyes of the community, and tends to blind men to those evils to a fearful and dangerous degree. The necessity of meeting from year to year the expenditure which it entails is a salutary and wholesome check, making them feel what they are about, and making them measure the cost of the benefit which they may calculate.'

CHAPTER XV.

THE RUSSIAN WAR.

Dispute about the Holy Places — Interest of England in Turkey — Aggression of Russia — Declaration of War — Trade with Russia — Effect of Blockade. — International Law. — Prussia and the Blockade — Effect of War on Fibrous Materials — Production of Fibres in India — Number of Captures — The Declaration on Maritime Law.

SCARCELY had the triumphs of the Industrial Exhibition and the golden dreams created by the discoveries of the precious metals ceased to occupy public attention, when first the fear of a French invasion and then a cloud from the East turned the current of peaceful progress and introduced war and discord all over Europe. For a considerable time Russia had asserted a right to assume a kind of protectorate over her co-religionists in Turkey, which England regarded with great suspicion. A singular dispute, however, brought into great prominence the aims and extent of Russian policy in Turkey. The holy places in Jerusalem, consisting of certain churches built on the spots connected with the life of Christ, were held in possession partly by Roman Catholic and partly by other Christian communities in Jerusalem, including the Greek, the Armenian, Syrian, Coptic, and Abyssinian, the right of possession being exercised by putting a carpet and lighting a candle on the altar. But this joint possession of churches, with distinct rights to certain altars, was a source of frequent dispute between the Latin and Greek. At one time, a fire having broken out in the chapel of the Armenians, and destroyed their principal sanctuary and other portions belonging to the Greeks, the Catholics charged the Greeks with having expressly caused the fire in order to claim compensation, but the Greeks retorted the charge against the Armenians. Again, in 1847, a quarrel arose in consequence of the sudden disappearance of a silver star from the church of Bethlehem just at the time when the Greeks were worshipping in the sanctuary, and the Latins charged the Greeks with the robbery. At last France intervened with a view to settle these constant quarrels, and she succeeded in inducing the Porte to form a mixed commission to inquire into the question. But whilst the commission were prosecuting these inquiries, the Emperor of Russia wrote

an autograph letter to the Sultan, demanding the integral preservation of the religious privileges of the Greeks at Jerusalem. The tone of the letter alarmed the Sultan, and the commission was reconstructed, composed exclusively of Ottoman functionaries. The commission thereafter made their report, recommending the maintenance of the *status quo*, and the report was confirmed by the Porte, and accepted by France under protest. Russia, however, made capital of the matter, and caused a firman to be published with due solemnity in accordance with the report.

Other difficulties afterwards arose. In February 1853, Prince Menschikoff arrived at Constantinople as ambassador extraordinary from Russia to make a formal demand to the Porte to reduce into a treaty the rights, privileges, and immunities in favour of the Greek Church, and to assign a convenient locality in the city of Jerusalem, or its neighbourhood, for the building of a church for the Russian co-religionists, and a hospice for poor or sick pilgrims, such foundations to be put under the protectorate of Russia. This ultimatum, being considered derogatory to the power and destructive of the independence of the Porte, was refused, and thereupon the Russian government caused the invasion by Russian troops of the principalities of Moldavia and Wallachia, which were under the sovereignty of the Porte, though under the protection of Russia. A declaration of war on the part of Turkey on October 4, 1853, was the immediate consequence of this step. Hostilities commenced. France and England, interested in the preservation of the independence of the Ottoman Empire, caused their fleets to enter the Bosphorus, and on March 28, 1854, England declared war against Russia. Though the independence of Turkey was the apparent cause of the war, jealousy of Russian influence in Europe and Asia was the real motive. In the East especially, Russia and England seemed likely to confront each other, both having great rival Asiatic empires, Russia in the north, England in the south, the one extending towards China and Afghanistan, the other towards Persia and Bokhara. It was this rivalry which rendered the war popular in high circles in England, and it was the desire of checking a power adverse to democratic institutions that rendered the war acceptable even to Liberals, except, indeed, to men of sterner temper than the multitude, men like Cobden and Bright. Setting aside, however, the political object of the war, we are interested in seeing what effects it had on trade and finance.

To Russia comparatively little of British manufacture and produce is usually exported, but our imports thence are of the greatest importance, in grain, tallow, seed, hemp, flax, wool, and timber. There is, moreover, a circumstance connected with such

imports which greatly affected British traders. The produce comes from distant provinces in the interior of Russia, and is brought to the shipping ports of Russia in the height of winter, when snow is on the ground, transit being most easy at that time, with a view to its being ready for shipment to England when the shipping season comes, which is from May to November. But to get that produce forwarded in time, the London houses are under the necessity of making large advances in cash to native dealers, so as to enable them to proceed into the interior some thousands of miles with the means of purchasing produce, and fulfilling their contract. These advances are made in cash in St. Petersburg, and are provided on the spot either by remittances from London, or by drafts from St. Petersburg by the English agents there of the London houses. Some 7,000,000*l.* of capital and many British ships were thus engaged in the Russian trade when the relations between the two countries became hostile. Certainly, had not the actual break out of war been put off by negotiations till the produce was ready for shipment, considerable losses must have been sustained.

War was, however, at last proclaimed, and with the declaration of her Majesty's Government granting reprisals against the ships, vessels, and goods of the Emperor of Russia, and of his subjects, or others inhabiting any of his countries, came the important statement that, in order to preserve the commerce of neutrals from unnecessary obstructions, her Majesty was willing for the present to waive a part of the belligerent rights appertaining to her by the law of nations; that it was impossible for her Majesty to forego the exercise of her right of seizing articles contraband of war, and of preventing neutrals from bearing the enemy's despatches, and she must maintain the right of a belligerent to prevent neutrals from breaking any effective blockade which might be established with an adequate force against the enemy's forts, harbours, or coasts; but that her Majesty would waive the right of seizing the enemy's property on board a neutral vessel unless it were contraband of war. It was not her Majesty's intention to claim the confiscation of neutral property, not being contraband of war, found on board enemy's ships; and her Majesty further declared that, being anxious to lessen as much as possible the evils of war, and to restrict its operations to the regularly organised forces of the country, it was not her present intention to issue letters of marque for the commissioning of privateers.

Previous to the declaration of war, a royal proclamation had been issued prohibiting the exportation of warlike stores, including all arms, ammunition, and gunpowder, as well as naval stores and marine engines, and what pertains thereto. This general prohibition, however, having been found inconvenient to the traders

and manufacturers of arms, permission was granted by an order in council, dated April 11, 1854, to export such articles to any place other than Russian territories, upon taking a bond from the person exporting such prohibited articles that they shall be landed at the port of destination. But even this order was found to be too indefinite and ineffectual, and on April 24 another order in council was issued, ordering that the officers of customs should not prevent the export of any articles except only gunpowder, saltpetre, and brimstone, arms and ammunition, marine engines and boilers, and the component parts thereof, the latter to be prohibited only when destined for any place in Europe north of Dunkirk, or to any place in the Mediterranean Sea east of Malta.

As might be expected under such circumstances, all articles of Russian produce rose enormously in value. Tallow, usually at 36s. to 38s., rose to 64s. per cwt.; hemp from 30l. rose to 47l.; linseed from 44s. rose to 54s. per quarter. A pressing demand for Russian produce gave rise to extraordinarily high prices, nor did the large imports from other countries help materially to reduce them. The price of consols was also seriously affected. In April 1853, whilst still under the influence of the gold discoveries, consols reached 101. On March 30, 1854, on the declaration of war, they fell to 85l. 2s. 6d., and with this fall railway and other property had a similar downward tendency. After a little, however, the closing of the Russian market became less and less felt. Russian produce came to this country from Prussia and Holland. India sent us large quantities of fibrous materials; America supplied grain; and, with the rest of the world open, it mattered little that a few Russian ports on the Baltic and on the Black Sea continued in a state of blockade. To Russia, however, the war was most disastrous. The 'Petersburg Gazette,' writing in September, 1854, made it appear as if the war would produce but little loss of trade. It said: 'It is known that an enormous quantity of tallow is being prepared in the nine melting-houses. This article used to find its principal vent in our Baltic ports, from which it was, for the most part, sent abroad. For the want of the naval service this year 453,000 poods of tallow had been prepared, worth nearly a million of roubles. While the tallow was being melted and refined, the end of the winter came, and at the same time the complete rupture between Russia and England. Our merchants took the alarm, on the supposition that tallow this year would not be in demand from abroad. Navigation opened, and they sent, nevertheless, their goods by the Volga to Rybinsk. In the spring our trade found another outlet. It is true tallow was not sent to the Baltic ports, but it went by land to Prussia. From Rybinsk they sent it by small steamers to Iver and beyond, down the Volga. Thence it was taken on by carriage to the frontier: the carriage cost 31 silver copecks per pood. In this way our merchants got

rid of all their tallow, not without profit, and political events had no influence on the movements of commerce. Our tallow will reach England, but by another route.' But such expectations were not realised. In 1853 the exports from European Russia amounted to 22,000,000*l.*; in 1854 they were only 8,776,000*l.*, and in 1855 they fell to 4,618,000*l.* And the imports into European Russia, which in 1853 amounted to 14,295,000*l.*, fell in 1854 to 8,669,000*l.* Nor could it be otherwise. Previous to the war Russia exported her principal Baltic produce chiefly to England. The blockade stopped that altogether, and although some produce found its way out of the country by land, the difficulties and consequent expense of transport rendered the losses very heavy to Russian producers and exporters. Politically, however, the blockade was of little value, for at whatever expense, Russia continued to receive sufficient provisions from other parts of Europe, and she was not altogether precluded from continuing her foreign trade. During the war 206 vessels were captured and brought before the high court of admiralty, and of these 78 were Russian. Of the total number captured, 160 were condemned, 30 restored, and 16 were captured only in part, or not adjudicated on.

The Russian war practically ended with the taking of Sebastopol by the allied armies on September 9, 1855. And the general treaty of peace, concluded on March 30, 1856, neutralised the Black Sea and threw its waters and its ports open to the mercantile marine of every nation; extended the application of the free navigation of rivers, established by the Congress of Vienna, to the Danube and its mouths, and provided for the admission of consuls into the ports situated upon the coast of the Black Sea. Still more remarkable, however, amongst the acts of that congress, was the Declaration respecting maritime law, signed on April 16, to the following effect: 'Considering that maritime law, in time of war, has long been the subject of deplorable disputes, that the uncertainty of the law and of the duties in such a matter gives rise to differences of opinion between neutrals and belligerents, which may occasion serious difficulties and even conflicts, that it would be consequently advantageous to establish a uniform doctrine on so important a point: that the plenipotentiaries assembled in congress at Paris cannot better respond to the intentions by which their governments are animated than by seeking to introduce into international relations fixed principles in this respect: the plenipotentiaries, being duly authorised, resolved to concert among themselves as to the means of attaining this object; and having come to an agreement, have adopted the following solemn Declaration:

'1. Privateering is, and remains, abolished;

'2. The neutral flag covers enemy's goods, with the exception of contraband of war;

‘3. Neutral goods, with the exception of contraband of war, are not liable to capture under enemy’s flag;’¹

‘4. Blockades, in order to be binding, must be effective, that is to say, maintained by a force sufficient really to prevent access to the coast of the enemy.’

The Declaration was signed by the plenipotentiaries of Great Britain, Austria, France, Prussia, Russia, Sardinia, and Turkey. And their respective governments having engaged to bring the Declaration to the knowledge of the states which did not take part in the congress of Paris, and to invite them to accede to it, in a short time the Declaration was acceded to by Baden, Bavaria, Belgium, Denmark, Bremen, Brazil, Brunswick, Chili, the Argentine Confederation, the German Confederation, Equador, Hesse, Lubeck, Hayti, Hamburg, Hanover, the Two Sicilies, the Roman States, Greece, Guatemala, Mecklenburg, Nassau, the Netherlands, Oldenburg, Parma, Peru, Portugal, Saxony, Sweden, Switzerland, Tuscany, and Wurtemberg. Spain, however, objected to the first article relating to privateering, and accepted the three others. Mexico did the same. And the United States of America offered to accept the Declaration on condition that private property at sea be declared free from capture.

The question of international maritime law has been often discussed since this important Declaration was signed, but the policy thereby traced has been generally adhered to. Mr. Cobden advocated the further extension of the principle of lessening the impediments to commerce during war, by exempting private property from capture at sea by armed vessels of every kind; the limitation of blockades to naval arsenals, and to towns besieged at the same time on land; and by the inviolability of merchant ships of neutrals on the high seas to the visitation of

¹ The first English treaty which contained the principle, ‘free ship, free goods,’ was that of Westminster in the year 1654, concluded between John IV., King of Portugal, and Cromwell. That treaty, confirmed by that of Whitehall in 1661, and re-confirmed by that of Lisbon of 1703, continued unaltered till 1810, when in the 26th article of the treaty of Rio de Janeiro, ‘the power of carrying in the ships of either country goods and merchandise the property of the enemies of the other country was renounced and abrogated.’ In 1655 the Lord Protector concluded a treaty with Louis XIV., containing the same principle, but it was not inserted in the treaty of Breda in 1667. In 1677, however, the treaty of St. Germain-en-Laye contained an article declaring ‘that goods of the enemy of the most Christian King should not be taken or confiscated if found on board ships appertaining to the subjects of Great Britain except contraband of war.’ In subsequent treaties the same clause was inserted. In the treaty of Madrid of 1655, and in all other treaties with Spain till 1796, the same stipulation was made, and the treaty of 1814, which ratified the treaties existing in 1796, renewed the principle. The treaty of Breda with the United Provinces in 1667 contained it, and also the treaty of the Hague of 1780. All the treaties between France and Spain; between Spain and the United Provinces; between the United States and the South American States; and between France and the South American States, have the same stipulation.—See Sir William Molesworth’s Speech, July 4, 1854, and Sir Travers Twiss’s *Law of Nations*, vol. 1. p. 156.

alien government vessels in time of war, as in time of peace.² These reforms in the public law of Europe have not yet received the support they deserve. But whatever be done to lessen the injurious influences of war, it will ever be found that war is destructive of all commerce and irreconcilable with economic progress.

² See a paper on 'International Maritime Law,' by Henry Ashworth, Esq., Social Science Association, 1864.

CHAPTER XVI.

TRADE WITH CHINA.

Relations with China.—Entrance into Canton —The Case of the 'Arrow.'—
Mission of the Earl of Elgin.—Treaty of Tien-tsin —Hostilities at Takoo
—Trade with Chinese Ports.

THE war with Russia ended, information reached this country that the relations with China had once more been disturbed. The treaty of Nanking of 1842 had stipulated that British subjects with their families and establishments should be allowed to reside, for the purpose of carrying on their mercantile pursuits without molestation or restraint, at the cities and towns of Canton, Amoy, Foochow, Ningpo, and Shanghai. And it was only in view of the danger or difficulty of allowing foreigners to enter the city of Canton, that the treaty signed at Bocca-Tigris provided that, *in the meantime*, British subjects should enjoy full liberty and protection in the neighbourhood on the outside of the city of Canton. But time passed without any progress being made in providing for free access to the city of Canton, and all the negotiations for the purpose had proved of no effect. In a despatch on the subject Viscount Palmerston said: 'These engagements, thus solemnly recorded, the Chinese government has now declined to fulfil. But the faithful performance of treaty engagements by sovereigns is the security for peace between nations. The Queen of England has fulfilled her treaty engagements to the Emperor of China. The Emperor of China has not fulfilled his treaty engagements to the Queen of England. Why has the Emperor broken his word? Is it because he is unwilling to keep his engagements, or because he is unable to do so? If he is unwilling to keep his engagements, how can the British Government trust to the Emperor's word, and how can there be lasting peace between the two governments? If the Emperor is unable to keep his promise, because his word and his orders are not respected by his subjects, how can he expect that foreign governments should show him more respect than his own subjects are willing to show? and will not foreign governments be obliged to inflict on the Chinese people, in order to repress their violence, those punishments which the Emperor is too weak to be able to award?'

Thus matters stood, when, in 1852, Dr., afterwards Sir John, Bowring was appointed superintendent of the trade of British subjects in China, his instructions being 'to insist upon the performance by the Chinese authorities of the engagements which existed between the two countries, but not to resort to measures of force without previous reference home, unless in the extreme case of such measures being required to repel aggression or to protect the lives and property of British subjects.' From the first, however, Sir John Bowring was not disposed to remain passive on the subject. Soon after his arrival he communicated to the Earl of Clarendon his conviction that the entrance into the city of Canton might be effected without serious difficulty, and that no better or more appropriate period could be found for peremptorily urging upon the Chinese authorities that the engagement entered into by the Chinese government as to the entrance into the city of Canton should be fulfilled without further delay. Still her Majesty's Government urged upon Sir John Bowring not to pursue the correspondence and not to press for personal intercourse. On February 13, 1854, the Earl of Clarendon sent a note to Sir John Bowring to the effect that there were points which it was desirable to secure, and to which England had even a right by treaty, that among those were free and unrestricted intercourse with the Chinese authorities and free admission into some of the cities of China, especially Canton; but that the treatment of these questions required much caution, for if we should press them in menacing language, and yet fail in carrying them, our national honour would require us to have recourse to force; and in order to obtain results the practical advantage of which was not clearly demonstrated, we might place in peril the vast commercial interests which have already grown up in China, and which with good and temperate management would daily acquire greater magnitude.

Thus cautioned by her Majesty's Government, Sir John Bowring continued his correspondence with Commissioner Yeh respecting the entry into Canton, but his efforts were still unavailing, when an event occurred which led to momentous consequences. On October 8, 1856, Consul Parker informed Sir John Bowring that the 'Arrow,' a lorch sailing under British colours, had been suddenly boarded by a force of Chinese officers in a war boat of large size and heavy armament, and that they had pinioned and carried away nearly the whole of the crew, leaving only two out of the fourteen men on board, adding to this act of violence the significant insult of hauling down the national ensign. The 'Arrow' was a Chinese ship belonging to a Chinese trader, sailing under a colonial certificate of registry, renewable annually, bearing date Hong Kong, September 27, 1855, and therefore, at the time, no longer under its

protection. But it was urged that the Chinese had no knowledge of the expiration of the certificate, and Consul Parker affirmed that the inviolability of the British flag might be satisfactorily and easily vindicated by reprisals on one or more of the war boats of the Chinese force by which the violence was committed. Accordingly, an apology was demanded from Commissioner Yeh, and immediately on the receipt of a very unsatisfactory answer an imperial junk was seized in Canton. Taking advantage of this opportunity, Sir John Bowring wrote to Admiral Sir M. Seymour that the circumstances were auspicious for requiring the fulfilment of treaty obligations as regards the city of Canton, and for arranging an official meeting with the Imperial Commissioners within the city walls. A more peremptory demand was thereupon made to that effect, and the same having been met by more evasions, steps were being taken for blockading the Canton river, when, in view of the imminence of another war, the Earl of Elgin arrived as high commissioner and plenipotentiary for the settlement of various important matters between her Majesty and the Emperor of China.

The demands which the Earl of Elgin was instructed to make were reparation of injuries to British subjects, complete execution at Canton, as well as at the other ports, of the stipulations of the several treaties, compensation for losses incurred in consequence of the late disturbances, the assent of the Chinese government to the residence at Peking of a British minister, a revision of the treaties with China, with a view to obtaining increased facilities for commerce, such as access to cities on the great rivers, as well as to Chapoo and other ports on the coast, and also permission for Chinese vessels to resort to Hong Kong for purposes of trade from all ports of the Chinese empire without distinction. The latter demand was considered of great importance, for although since the conclusion of the treaty of Nanking, the trade of foreign nations with China had been greatly extended, yet it fell far short of what might reasonably be expected under an improved system of intercommunication with the Chinese people. As yet the trade was confined to free ports, to which alone foreigners were entitled to resort, and from which alone Chinese vessels could proceed for purposes of trade to the island of Hong Kong. And it was one of the main objects of Lord Elgin's mission to endeavour to liberate the trade with China from these restrictions, and to induce the Chinese government to consent to throw open the ports of China generally to foreign commerce, and to allow the subjects of foreign powers freely to communicate with the great cities in the interior, but more especially with those which are situated on the large rivers, and those lying immediately within the seaboard of the north-eastern coast.

On his arrival at Hong Kong the Earl of Elgin placed himself

in agreement with the ministers of France and the United States, and sought for information from the principal merchants and chambers of commerce respecting the wants of trade and the operation of the Chinese tariff. This done, he made his demand on the Chinese commissioner and waited for an answer; but again the answer having been long and evasive, the Earl of Elgin saw no other way but a forced entry into the city, which he was not long in effecting. From Canton, the Earl of Elgin sent a despatch to the prime minister of the Emperor of China, referring to the negotiations which had been opened with Commissioner Yeh prior to the occupation of the place, and to the disregard of the demand then made, and declaring that it was the intention of Great Britain and France to continue to occupy the city of Canton till all the differences between the two countries were settled. Again, however, all attempts at conciliation proved unsuccessful, and the British and French ministers resolved to move up the river towards Tien-tsin.¹ The contest was short, though sharp, and on June 26 a treaty of peace, friendship, and commerce was concluded, by which every demand was acceded to on the part of China. The treaty provided for the residence of a British ambassador at Peking and the establishment of consuls in the dominions of the Emperor of China. It permitted the profession and teaching of Christianity, authorised British subjects to travel to all parts of the interior, permitted British merchant ships to trade upon the great river (Yang-tse), and, as soon as peace was restored, at such ports as far as Han-Kow, not exceeding three in number, as should be determined upon. In addition to the cities and towns of Canton, Amoy, Foochow, Ningpo, and Shanghai, opened by the treaty of Nanking, the Tien-tsin treaty permitted British subjects to frequent the cities and ports of New-Chwang,² Tang-Chow, Tai-Wau (Fomosa), Chau-Chow (Swatow), and Kiung-Chow (Hainan), and settled many other points, including the question of the transit duties, which had given rise to much difficulty, besides the payment of two millions of taels on account of the losses sustained by British subjects through the misconduct of the Chinese authorities at Canton, and two millions more on account of the military expenses of the expedition.

With the conclusion of peace the mission of the Earl of Elgin

¹ The city of Tien-tsin is situated at the junction of the Grand Canal and the Peiho, and is about 62 miles from the mouth of the river, near which are the adjacent villages of Tung-ku and Hoi-ku, which together constitute the town of Taku. Tien-tsin is the port for the two provinces Chih-li and Shan-si: Chih-li on the east is 58,949 square miles, and had a population of 14,000,000; Shan-si on the west is 55,268 square miles, and had a population of 27,000,000. Tien-tsin is moreover the nearest port to the central and western parts of that vast tract of Asia belonging to the Chinese empire which passes under the name of Manchuria in the east and Mongolia in the centre and west.

² The port on the Sua-muren, which has taken the place of New-Chwang, is known as Ying-tzu, and was opened to foreigners in May 1861.

ended, and Mr. Bruce was appointed her Majesty's minister in China. But the Chinese government once more interposed obstacles to the reception and permanent residence of the British minister at Peking, and as he proceeded up the Peiho, on his way to the capital, an attack was made against her Majesty's ship at Takoo. Again, therefore, England and China came into collision. France joined in demanding an apology, and hostilities having once more commenced, they were prosecuted till, by another convention dated October 24, 1860, a further indemnity of 4,000,000 dollars was obtained, the allies taking military possession of Chusan until the whole indemnity was paid. Since then a British minister has resided at Peking, consuls have been appointed to the principal ports of China,³ and trade has proceeded without hindrances, though efforts have been made to procure further facilities than those accorded by the treaty of Tien-tsin.

The demand for the execution of treaty right made against China was indeed a legitimate one, but any attempt to obtain increasing commercial facilities by the exercise of force cannot be justified in the light of international law. The right of trading, it is true, is a natural right, but it is only an imperfect right, inasmuch as each nation is the sole judge of what is advantageous or disadvantageous to herself, and whether or not it be convenient for her to cultivate any branch of trade or to open trading intercourse with any one country. Therefore no nation has a right to

³ The diplomatic and consular service in China consists of an envoy extraordinary and minister plenipotentiary at Peking, and consuls and vice-consuls at Amoy, Canton, Whampoa, Foo-chow, Hankow, Ichang, Kiu-kiang, Kiung-chow, New-Chwang, Ningpo, Pagoda Island, Pak-hoy, Shanghai, Swatow, Taiwan, Tainsing, Tangchow, Tien-tsin, Wenchow, Wu-hu, Tamsuy, Chin-kiang, Che-foo, Ningpo, and Pagoda Anchorage. In 1877 the imports and exports of the ports in China were as follows —

—	Imports	Exports	Total
	£	£	£
Amoy .	2,849,323	2,059,031	4,908,354
Canton .	2,213,600	4,430,991	6,644,591
Che-foo	1,350,805	586,950	1,937,755
Foo-chow .	1,741,153	3,115,935	4,857,088
Hankow	4,070,299	5,931,606	10,001,835
Kiu-kiang	875,917	2,573,932	3,449,849
Kiung-chow	202,946	201,568	404,514
New-Chwang	577,087	594,839	1,171,926
Ningpo .	2,352,997	1,423,444	3,776,441
Pak-hoy .	2,370	1,144	3,514
Swatow	4,119,741	1,462,665	5,582,406
Taiwanfoo and Takow	462,948	397,641	860,589
Tamsin and Kelung	400,306	429,674	829,980
Tien-tsin . . .	7,527,573	1,714,760	9,242,333
Wanchow .	73,623	5,435	79,058
	28,820,618	24,929,615	£53,750,233

compel another nation to enter into trading intercourse with herself, or to pass laws for the benefit of trading and traders. By the two wars against China an enormous market has been opened to British industry; but we may well doubt whether the policy thus pursued and adhered to would not stand condemned if judged by the principles of ethics and international law. The objection offered to the admission of opium into China can never be allowed to be a justifiable cause of the war of 1842. The seizure of criminals from a Chinese ship, whose license to hoist the British flag had expired, was no lawful justification for the second war of 1857. And whilst there was reason to complain that the jealousy and animosity of a class stood in the way of peaceful trade with a whole nation, we could scarcely expect that such jealousy would be overcome by measures of force and repression, only certain to make the feud deeper and more lasting. But British energy and industry have overcome many more obstacles than those which hindered our intercourse with China.

In 1840, before the opium war, our exports to China amounted to half a million only. Canton was formally opened by an imperial edict in July 1842, and Shanghai in 1844, and our exports forthwith increased to about one million. On the conclusion of the treaty of Tien-tsin, in 1858, our exports to China amounted to 1,700,000*l.*; in 1878 they were 3,700,000*l.* Besides this, a considerable trade is carried on between India and China, mainly in British hands. And it will continue to increase probably in even a greater ratio. Some fear was lately entertained that the foreign trade of China would gradually pass into Chinese hands. The opinion of the British consuls, however, was to the contrary, and in a memorandum on the subject, prepared at the foreign office, the conclusion arrived at seemed to be that the direct import trade, as well as the export trade, in articles of European consumption remains, and was likely to remain, in foreign hands; that should the indirect or distributing trade be undertaken entirely by Chinese instead of by foreign commission agents, as seemed probable, except perhaps as regards opium, the result might be expected to be beneficial to British trade and shipping, as it would be followed by an increased demand for foreign goods, and by the extended employment of foreign vessels; and that this indirect or distributing trade, on which the general trade depended, had been created and was maintained by the opening to foreign commerce of the several provincial districts of China by means of the consular treaty ports as ports of entry.

APPENDIX

Treaty between Her Majesty and the Emperor of China, signed, in the English and Chinese Languages, at Nanking, August 29, 1842, with other Documents relating thereto.

[Ratifications exchanged at Hong-Kong, June 26, 1843.]

Article I.—There shall henceforward be Peace and Friendship between Her Majesty the Queen of the United Kingdom of Great Britain and Ireland and His Majesty the Emperor of China, and between their respective subjects, who shall enjoy full security and protection for their persons and property within the dominions of the other

Article II.—His Majesty the Emperor of China agrees, that British subjects, with their families and establishments, shall be allowed to reside, for the purpose of carrying on their mercantile pursuits, without molestation or restraint, at the cities and towns of Canton, Amoy, Foochowfoo, Ningpo, and Shanghai, and Her Majesty the Queen of Great Britain, &c., will appoint Superintendents, or Consular Officers, to reside at each of the above-named cities or towns, to be the medium of communication between the Chinese authorities and the said merchants, and to see that the just duties and other dues of the Chinese Government, as hereinafter provided for, are duly discharged by Her Britannic Majesty's subjects.

Article III.—It being obviously necessary and desirable that British subjects should have some port whereat they may careen and refit their ships when required, and keep stores for that purpose, His Majesty the Emperor of China cedes to Her Majesty the Queen of Great Britain, &c., the Island of Hong-Kong, to be possessed in perpetuity by Her Britannic Majesty, her Heirs and Successors, and to be governed by such laws and regulations as Her Majesty the Queen of Great Britain, &c., shall see fit to direct.

Article X.—His Majesty the Emperor of China agrees to establish at all the ports which are, by the Second Article of this Treaty, to be thrown open for the resort of British merchants, a fair and regular Tariff of export and import customs and other dues, which Tariff shall be publicly notified and promulgated for general information; and the Emperor further engages, that when British merchandise shall have once paid at any of the said ports the regulated customs and dues, agreeable to the Tariff to be hereafter fixed, such merchandise may be conveyed by Chinese merchants to any province or city in the interior of the Empire of China, on paying a further amount as transit duties, which shall not exceed ¹— per cent. on the Tariff value of such goods.

¹ The declaration on this subject which follows the Treaty said, 'That such duty shall not exceed the present rates which are upon a moderate scale.'

Treaty of Peace, Friendship, and Commerce, between Her Majesty and the Emperor of China, signed, in the English and Chinese Languages, at Tien-tsin, June 26, 1858.

[Ratifications exchanged at Peking, October 24, 1860.]

Article VII.—Her Majesty the Queen may appoint one or more Consuls in the dominions of the Emperor of China, and such Consul or Consuls shall be at liberty to reside in any of the open ports or cities of China, as Her Majesty the Queen may consider most expedient for the interests of British commerce. They shall be treated with due respect by the Chinese authorities, and enjoy the same privileges and immunities as the Consular Officers of the most favoured nation.

Consuls and Vice-Consuls in charge shall rank with Intendents of Circuits, Vice-Consuls, Acting Vice-Consuls, and Interpreters, with Prefects. They shall have access to the official residences of these officers, and communicate with them, either personally or in writing, on a footing of equality, as the interests of the public service may require.

Article VIII.—The Christian religion, as professed by Protestants or Roman Catholics, inculcates the practice of virtue, and teaches man to do as he would be done by. Persons teaching or professing it, therefore, shall alike be entitled to the protection of the Chinese authorities, nor shall any such, peaceably pursuing their calling, and not offending against the law, be persecuted or interfered with.

Article IX.—British subjects are hereby authorised to travel, for their pleasure or for purposes of trade, to all parts of the interior, under passports which will be issued by their Consuls, and countersigned by the local authorities. These passports, if demanded, must be produced for examination in the localities passed through. If the passport be not irregular, the bearer will be allowed to proceed, and no opposition shall be offered to his hiring persons or hiring vessels for the carriage of his baggage or merchandise. If he be without a passport, or if he commit any offence against the law, he shall be handed over to the nearest Consul for punishment, but he must not be subjected to any ill-usage in excess of necessary restraint. No passport need be applied for by persons going on excursions from the ports open to trade to a distance not exceeding 100 *li*, and for a period not exceeding five days.

The provisions of this Article do not apply to crews of ships, for the due restraint of whom regulations will be drawn up by the Consul and the local authorities.

To Nanking, and other cities disturbed by persons in arms against the Government, no pass shall be given, until they shall have been recaptured.

Article X.—British merchant-ships shall have authority to trade upon the Great River (Yang-tsze). The Upper and Lower Valley of the river being, however, disturbed by outlaws, no port shall be for the present opened to trade, with the exception of Chin-kiang, which shall be opened in a year from the date of the signing of this Treaty.

So soon as peace shall have been restored, British vessels shall also

be admitted to trade at such ports as far as Han-kow, not exceeding three in number, as the British Minister, after consultation with the Chinese Secretary of State, may determine shall be ports of entry and discharge.

Article XI.—In addition to the cities and towns of Canton, Amoy, Fuchow, Ningpo, and Shanghai, opened by the Treaty of Nanking, it is agreed that British subjects may frequent the cities and ports of New-Chwang, Tang-Chow, Tai-Wan (Formosa), Chau-Chow (Swatow), and Kiung-Chow (Hainan).

They are permitted to carry on trade with whomsoever they please, and to proceed to and fro at pleasure with their vessels and merchandise.

They shall enjoy the same privileges, advantages, and immunities, at the said towns and ports, as they enjoy at the ports already opened to trade, including the right of residence, of buying or renting houses, of leasing land therein, and of building churches, hospitals, and cemeteries.

Article XII.—British subjects, whether at the ports or at other places, desiring to build or open houses, warehouses, churches, hospitals, or burial-grounds, shall make their agreement for the land or buildings they require at the rates prevailing among the people, equitably, and without exactions on either side.

Article XV.—All questions in regard to rights, whether of property or person, arising between British subjects, shall be subject to the jurisdiction of the British authorities.

Article XVI.—Chinese subjects who may be guilty of any criminal act towards British subjects shall be arrested and punished by the Chinese authorities, according to the laws of China.

British subjects who may commit any crime in China shall be tried and punished by the Consul, or other public functionary authorised thereto, according to the laws of Great Britain.

Justice shall be equitably and impartially administered on both sides.

Article XVII.—A British subject having reason to complain of a Chinese, must proceed to the Consulate, and state his grievance. The Consul will inquire into the merits of the case, and do his utmost to arrange it amicably. In like manner, if a Chinese have reason to complain of a British subject, the Consul shall no less listen to his complaint, and endeavour to settle it in a friendly manner. If disputes take place of such a nature that the Consul cannot arrange them amicably, then he shall request the assistance of the Chinese authorities, that they may together examine into the merits of the case, and decide it equitably.

Article XVIII.—The Chinese authorities shall at all times afford the fullest protection to the persons and property of British subjects, whenever these shall have been subjected to insult or violence. In all cases of incendiarism or robbery, the local authorities shall at once take the necessary steps for the recovery of the stolen property, the suppression of disorder, and the arrest of the guilty parties, whom they will punish according to law.

Article XXIV.—It is agreed that British subjects shall pay, on all merchandise imported or exported by them, the duties prescribed by the Tariff, but in no case shall they be called upon to pay other or higher duties than are required of the subjects of any other foreign nation.

Article XXV.—Import duties shall be considered payable on the landing of the goods, and duties of export on the shipment of the same.

Article XXVI.—Whereas the Tariff fixed by Article X. of the Treaty of Nanking, and which was estimated so as to impose on imports and exports a duty at about the rate of five per cent. *ad valorem*, has been found, by reason of the fall in value of various articles of merchandise, therein enumerated, to impose a duty upon these considerably in excess of the rate originally assumed as above to be a fair rate, it is agreed that the said Tariff shall be revised, and that as soon as the Treaty shall have been signed, application shall be made to the Emperor of China to depute a high officer of the Board of Revenue to meet, at Shanghai, officers to be deputed on behalf of the British Government, to consider its' revision together, so that the Tariff, as revised, may come into operation immediately after the ratification of this Treaty

Article XXVII.—It is agreed that either of the High Contracting Parties to this Treaty may demand a further revision of the Tariff, and of the commercial Articles of this Treaty, at the end of ten years, but if no demand be made on either side within six months after the end of the first ten years, then the Tariff shall remain in force for ten years more, reckoned from the end of the preceding ten years; and so it shall be, at the end of each successive period of ten years.

Article XLVII.—British merchant-vessels are not entitled to resort to other than the ports of trade declared open by this Treaty. They are not unlawfully to enter other ports in China, or to carry on clandestine trade along the coasts thereof. Any vessel violating this provision, shall, with her cargo, be subject to confiscation by the Chinese Government

Article XLVIII.—If any British merchant-vessel be concerned in smuggling, the goods, whatever their value or nature, shall be subject to confiscation by the Chinese authorities, and the ship may be prohibited from trading further, and sent away as soon as her accounts shall have been adjusted and paid.

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CHAPTER XVII.

TRADE WITH JAPAN AND SIAM.

Mission to Japan.—Treaty with Japan.—The Coinage of Japan.—British and American Traders.—Issue of a New Coinage.—Treaty with Siam.—Consular Jurisdiction in the East.

PENDING the signing of the treaty and the discussion of the Chinese tariff, the Earl of Elgin proceeded to Japan, with a view to procuring the opening up of communication with the government of that country. Arrived at the bay of Yedo, Lord Elgin made known to the foreign minister of the Emperor his arrival, and his instructions to deliver a steam yacht, which her Majesty the Queen of Great Britain had sent as a proof of her esteem and regard to his Majesty; and added that he possessed full powers to adjust and conclude such treaties, agreements, and conventions as might be conducive to the extension and improvement of the relations of commerce and amity between Great Britain and Japan. For full two centuries had Japan eschewed all contact with the outer world, and a decree had been issued, dated 1637, making it a capital offence for the natives of Yedo to travel into other countries. At the commencement of the seventeenth century the East India Company obtained some footing in Japan, and a commercial treaty was concluded in 1613 by which authority was given to the company to enter into all the ports of Japan, and to abide, buy, sell, and barter as they pleased; but the company was not successful in its transactions, and withdrew from the trade. Subsequently, a formal prohibition of trade was issued and acted upon, especially against the Portuguese. And when, in 1673, English ships arrived at Japan and expressed a wish to resume the right of trading, the Japanese government, which had ascertained, probably from the Dutch, that the King of England, Charles II., had married a daughter of the King of Portugal, refused compliance with the request, and extended the prohibition to the English also.

In 1854 the United States sent a mission to Japan for the purpose of obtaining facilities in those waters for providing provisions and coals, and negotiations commenced, which resulted in a treaty, signed at Kanagawa on March 31, stipulating for the immediate

opening of the port of Hakodadi, as well as for authority to the United States Government to establish consuls in the two ports. In the same year, Admiral Sterling, then commanding in those seas, entered into a convention with the government of Japan with regard to the opening of Nagasaki and Hakodadi to British ships, and obtained the privilege of access to the country for British merchants. But little result had been obtained from that treaty when the Earl of Elgin opened negotiations on the subject. Happily the overtures of the British minister were well received; and, contrary to all previous experience, commissioners were at once appointed by the Tycoon, and a treaty of peace, friendship, and commerce was signed in the English, Japanese, and Dutch languages at Yedo, August 26, 1858, and ratified July 11, 1859.

The treaty empowered the Queen of the United Kingdom to appoint a diplomatic agent to reside at Jedo, and consuls at the open ports;¹ granted ample recognition of consular jurisdiction, and the immunities of extritoriality; opened to British subjects, at specified periods, several of the most important ports and cities of Japan, viz. Hakodadi, Kanagawa, Nagasaki, and Ne-e-gata, or other convenient port on the coast of Neppo and Hiogo; gave power to land and store supplies for the use of the British navy at Kanagawa, Hakodadi, and Nagasaki, without payment of duty; and power to British subjects to buy from and sell to Japanese subjects directly, without the intervention of the Japanese authorities; provided that foreign coin should pass for corresponding weight of Japanese coin of the same description; authorised British and Japanese subjects freely to use foreign or Japanese coin in making payments to each other; and gave a right to British subjects for one year to demand of the Japanese Government Japanese coin in exchange for theirs, equal weights being given; and power to export all description of gold and silver, coined and uncoined. The treaty further established the abolition of tonnage and transit dues, and reduction of duties on exports from 35 per cent. to a general rate of 5 per cent. *ad valorem*; and concluded with a general clause that the British Government and its subjects should be allowed free and equal participation in all privileges, immunities, and advantages that may have been or may be hereafter granted by his Majesty the Tycoon of Japan to the government or subjects of any other nation.

Thus far matters proceeded in a most satisfactory manner. Unfortunately, however, the treaty itself contained the seed of imminent discord in the clauses respecting the currency,² and it

¹ The British diplomatic and consular service in Japan consisted in 1870 of an envoy extraordinary at Yedo, and consuls at Hakodadi, Kanagawa, Ne-e-gata, Nagasaki, Hiogo, and Osaka.

² Gold appears to have even been more abundant than silver in Japan. Marco Polo, writing in 1298, said, 'The inhabitants of Zipangu have gold in the greatest abundance, its sources being inexhaustible.' An old Spanish writer of

was not long before the newly-formed intimacy between the two countries was seriously endangered. When the American squadron visited Japan, in 1853, there were current in Japan a small round coin, with a square hole, called *cash*; a similar larger coin, weighing less than two of the former, but bearing a fourfold value—the two *kas* piece; a large lozenge-shaped bronze coin, called a *tempo*, of the nominal value of 96 or 100 *kas*; an oblong silver coin, called an *ichibu* or *bu*, and valued at 16 *tempos* or 1,600 *kas*; and a smaller gold and silver coin, half *ichibu*.³ The silver was overvalued as compared with the copper and gold coins, so that the silver *ichibu* passed for three times its value, and was in reality only a token coin. Since, however, by the British treaty with Japan, and by precisely similar terms concluded between the United States and Japan, the Japanese Government bound themselves for one year to give Japanese coin in exchange for British or American, weight for weight, and to supply *ichibus* against dollars, it became a practice for the foreign merchant to take 100 dollars to the custom house and to obtain for them token coins weight for weight, viz. 311 *ichibus*. But with this money the foreign merchant could go to the market and obtain gold *kobangs* worth two to three times the intrinsic value of his dollars. He had, in fact, only to send *kobangs* to Shanghai and have them converted into dollars to recommence the operation.

The British and American traders, alive to their opportunity, sought to take advantage of it to the full, and made demands on the treasury for such fabulous sums of Japanese silver

the seventeenth century stated that the palaces at Yedo were covered with plates of gold. *Kampfer* wrote in the eighteenth century that the riches of Japan consisted in all sorts of minerals and metals, particularly in gold, silver, and copper. *Ralph Fitch* in 1588 wrote that the Portuguese had a great *carac*, which went thither every year and brought from thence every year 600,000 *crusados* (more than 500,000 dollars). In 1637 six Portuguese *galions* visited Japan with cargoes of silk, and carried away in exchange 3,000,000 *dó lares*. The Dutch in 1640 exported 1,400 chests of silver, each of 1,000 *taels* that is, nearly 2,000,000 dollars. According to a Japanese pamphlet, written in 1708, from 1611 to 1706 there were exported from Japan, silver, 112,268,700 *taels* (34,000,000 *l.*), gold, 6,192,600 *kobangs* (11,000,000 *l.*). In 1672 the exportation of silver was prohibited, and the nominal value of gold was raised in the proportion of 17 to 15. In 1696 its fineness was for the same object reduced from 20 carats 10 grains to 13 carats 7 grains. In 1710 the weight was reduced from 47 *nomme* (237 7 grains troy) to 25 *nomme* (145 6 grains troy). According to *Sir Stamford Raffles*, in the two hundred years from 1540 to 1740, Japan must have been drained of bullion to the value of 200,000,000 dollars.—*Mr. Alcock's report*, 1866. p. 617.

³ The coins in circulation in 1866 were the *ryo* or *kobang*, a thin oval gold coin, weighing .88 *nomme* (51 25 grains troy). The *bu* or *ichibu* (from '*ichi*,' one, and '*bu*,' a portion), an oblong silver coin weighing 2 3 *nomme* (133 95 grains troy). The *nibu* or two *bu* piece, a yellow oblong coin of gold and silver mixed, weighing 1 6 *nomme* (98 184 grains). The *nishu*, a small oblong silver coin, half a *nomme* (29 12 grains). The *nishu* or two *bu* piece, a silver-gilt coin. The *zenior mongseng*, an iron coin, 1,700th of an *ichibu*. The *hachi-mongseng*, or eight *mongseng* piece, a mixed iron and copper circular coin, with a square hole in the centre. The *tempo*, called also *hiyaku-mongseng*, or 100 *mongseng* piece, a large oval coin with a hole in the middle.—*Mr. Alcock's report*, p. 631.

coin, in the names of fictitious persons, that in a short time the kobangs actually came to an end.⁴ The Japanese Government then found out the folly of the clause in the treaty, and the impossibility of carrying it into effect. To meet the want of sufficient currency, in July 1859 a new silver coin was put into circulation at the open ports by the British representatives of the value of a half ichibu, containing as much silver as an ichibu and a half of the old currency, so that two of these coins were about equal in weight to a Mexican dollar. And as the kobang still passed as 4 ichibus, the foreigner, instead of obtaining the kobang for about $1\frac{1}{2}$ dollars, had to pay nearly four dollars for it, which was about the true value. A circular was promulgated announcing the issue of the new coin, but the measure was resisted as an infringement of the spirit, if not of the letter, of the treaty. How could a coin struck exclusively for foreign use be termed a Japanese coin? So long as the old coinage was not recalled, this could only be considered as a tax on the foreign trade of 200 per cent., and therefore the new half ichibu was recalled. In 1860 a new plan was adopted. Of the five kobangs that existed the nominal value of two was changed from 4 to $13\frac{1}{2}$ ichibus, and before the close of the year a new gold kobang was brought out less than one-third of the value, both intrinsic and nominal. On July 1, 1860, the year expired in which the Japanese Government was by treaty compelled to exchange its own money for foreign coin, weight for weight, and the rate of exchange fell, so that in September only 200 ichibus were given to the 100 dollars. Since, however, the difficulty would reappear as the clause of the treaty came into operation with the opening of the several ports, a convention was concluded on June 25, 1866, by the sixth article of which the Imperial Government undertook to enlarge the Japanese mint, so as to admit of the Japanese Government exchanging into native coin of the same intrinsic value, less only the cost of coinage, at the places named for the purpose, all foreign gold or bullion in gold or silver that should at any time be tendered to them by foreigners or Japanese. But inasmuch as the execution of this measure depended on the consent of the various powers with whom Japan concluded treaties to modify the stipulations in those treaties relating to the currency, the Japanese Government proposed

⁴ Some idea of the unscrupulous manner in which such demands were made upon the Japanese customs may be formed from the fact that one applicant alone required ichibus for one sextillion, two hundred quintillions, six hundred and sixty-six quadrillions, seven hundred and seventy-seven trillions, eight hundred and eighty-eight billions, nine hundred and ninety-nine millions, two hundred and twenty-two thousand, three hundred and twenty-one. Not only were the sums in their preposterous amount an insult to the Japanese Government, to whose officers these requisitions were presented, but they were documents essentially false and dishonest, as purporting to be the names of individuals having a real existence, and entitled to demand facilities for trade, whereas mere words were used as names, and made to convey gross and offensive comments.

to those powers the adoption of the necessary modifications in the said stipulations, and on receiving their concurrence was prepared, from January 1, 1868, to carry the above measure into effect. The rates to be charged as the cost of coinage were to be determined thereafter by the common consent of the contracting parties.⁵

By a happy concurrence of events, the trade in the East seemed to open itself out most wonderfully. In the spring of 1855, Sir John Bowring, being in China, proceeded on a special mission to Siam, to see if that country also could be brought to break down the wall of separation which isolated her from the rest of the world, and he was successful. There was a time when Bangkok was the third among the commercial cities east of the Cape of Good Hope, and there, as in Japan, the Portuguese were first in the field. But neither they nor the Dutch nor the French succeeded in establishing permanent relations of trade. The East India Company also tried to do so in vain. In 1822 Mr. John Craufurd went on a mission to Siam, deputed by the governor-general of India to the courts of Siam and Cochin China. In 1826 Captain Burney was sent from India for the express purpose of obtaining the co-operation of the Siamese in the contest in which the Indian Government was engaged with the Burmese, and a treaty was concluded on the subject. But no practical good resulted from these efforts, and it was not till Sir John Bowring undertook this mission that permanent relations were established between England and Siam.

The treaty of friendship and commerce concluded on April 18, 1855, and ratified on April 5, 1856, declared that all British subjects arriving at Siam should receive from the Siamese Government full protection and assistance to enable them to reside in Siam in all security and to trade with every facility, free from oppression or injury on the part of the Siamese, and that the interests of all British subjects at Siam should be placed under the regulation and control of a consul, who would be appointed to reside at Bangkok. The Siamese Government reserved to themselves the right in case of scarcity to prohibit the exportation of rice, salt, and fish. And after making other provisions, the treaty declared that the British Government and its subjects should be allowed free and equal participation in any privileges that might have been or hereafter might be granted by the Siamese Government to the government or subjects of any other nation.

A large extension of trade followed the establishment of inter-

⁵ In 1871 a new currency was established in Japan, consisting (1) of gold coins of 20, 10, 5, and 1 *yen*, the latter to be the unit and legal tender in all payments to any amount; (2) of silver *yens*, as subsidiary coins, to be legal tenders for sums not exceeding ten *yens*, and of copper coins of one and a half, and 1-10th *sen* to be legal tender for sums not exceeding one *sen*.

course with these Asiatic countries, and for its protection, both under the custom relating to Europeans in the East and under special treaties concluded with China, Japan, and Siam, British traders are placed in those countries under the immediate jurisdiction of the British consuls. This consular jurisdiction is very old. The Levant Company had jurisdiction in civil cases, and exercised a certain jurisdiction in criminal cases. When the Levant Company ceased to exist, her Majesty's Government came into its place. But doubts having been raised as to the legality of such jurisdiction, the Foreign Jurisdiction Act was passed, by which the Crown was enabled by Order in Council to exercise any jurisdiction which it acquired in foreign countries, either by grant, capitulation, treaty, usage, or sufferance, in the same manner as the Crown exercises such jurisdiction in a conquered or ceded colony. And an Order in Council was accordingly issued empowering the consuls to act in the manner in which they had been in the habit of acting both in civil and criminal cases. In the following year an Order in Council was passed for the administration of criminal justice in the Levant. And in 1856, upon the report of a commission of inquiry, a supreme judge was appointed at Constantinople, for the disposal of civil and criminal cases. In China and Japan, the consular courts are regulated by an Order in Council of 1865.

APPENDIX.

Convention between Her Majesty and the Emperor of Japan, signed at Nagasaki, in the English and Japanese languages, October 14, 1854.

[Ratifications exchanged at Nagasaki, October 9, 1855.]

Convention for Regulating the Admission of British Ships into the Ports of Japan.

It is agreed between Sir James Stirling, Knight, Rear-Admiral, and Commander-in-Chief of the ships and vessels of Her Britannic Majesty in the East Indies and seas adjacent, and Mezi-no Chekfu-no Kami, Obunyo of Nagasaki, and Nagai Evan Ocho, Omedski of Nagasaki, ordered by His Imperial Highness the Emperor of Japan to act herein, that:—

1st The ports of Nagasaki (Fisen) and Hakodadi (Matsmai) shall be open to British ships for the purposes of effecting repairs, and obtaining fresh water, provisions, and other supplies of any sort they may absolutely want for the use of the ships.

2nd Nagasaki shall be open for the purposes aforesaid from and after the present date, and Hakodadi from and after the end of fifty days from the Admiral's departure from this port. The rules and regulations of each of these ports are to be complied with

3rd Only ships in distress from weather, or unmanageable, will be permitted to enter other ports than those specified in the foregoing Articles; without permission from the Imperial Government.

4th. British ships in Japanese ports shall conform to the laws of Japan. If high officers or commanders of ships break any such laws, it will lead to the ports being closed. Should inferior persons break them, they are to be delivered over to the commanders of their ships for punishment.

5th. In the ports of Japan, either now open, or which may hereafter be opened, to the ships or subjects of any foreign nation, British ships and subjects shall be entitled to admission, and to the enjoyment of an equality of advantages with those of the most favoured nation, always excepting the advantages accruing to the Dutch and Chinese from their existing relations with Japan.

6th. This Convention shall be ratified, and the ratifications shall be exchanged at Nagasaki on behalf of Her Majesty the Queen of Great Britain, and on behalf of His Highness the Emperor of Japan, within twelve months from the present date.

7th. When this Convention shall be ratified, no high officer coming to Japan shall alter it.

In witness whereof we have signed the same, and have affixed our seals thereunto, at Nagasaki, this fourteenth day of October 1854.

(L.S.) JAMES STURTEWANT

N.B.—The Japanese text was signed by the Japanese Plenipotentiaries.

Treaty of Peace, Friendship, and Commerce, between Her Majesty and the Tycoon of Japan, signed, in the English, Japanese, and Dutch languages, at Yedo, August 26, 1858.

[Ratifications exchanged at Yedo, July 11, 1859]

HER Majesty the Queen of the United Kingdom of Great Britain and Ireland, and His Majesty the Tycoon of Japan, being desirous to place the relations between the two countries on a permanent and friendly footing, and to facilitate commercial intercourse between their respective subjects, and having for that purpose resolved to enter into a Treaty of Peace, Amity, and Commerce, have named as their Plenipotentiaries, that is to say:—

Her Majesty the Queen of Great Britain and Ireland, the Right Honourable the Earl of Elgin and Kincardine, a Peer of the United Kingdom, and Knight of the Most Ancient and Most Noble Order of the Thistle;

And His Majesty the Tycoon of Japan, Midzno Tsikfgono Kami; Nagai Gembano Kami; Inouwe Sinano no Kami; Hori Oribeno Kami; Iwase Higono Kami; and Isuda Hauzabro,

Who, after having communicated to each other their respective full powers, and found them to be in good and due form, have agreed upon and concluded the following Articles:—

Article I.—There shall be perpetual peace and friendship between Her Majesty the Queen of the United Kingdom of Great Britain and Ireland, her heirs and successors, and His Majesty the Tycoon of Japan, and between their respective dominions and subjects.

Article II.—Her Majesty the Queen of Great Britain and Ireland

may appoint a Diplomatic Agent to reside at the city of Yedo, and Consuls or Consular Agents to reside at any or all the ports of Japan which are opened for British commerce by this Treaty.

The Diplomatic Agent and Consul-General of Great Britain shall have the right to travel freely to any part of the Empire of Japan.

His Majesty the Tycoon of Japan may appoint a Diplomatic Agent to reside in London, and Consuls, or Consular Agents, at any or all the ports of Great Britain.

The Diplomatic Agent and Consul-General of Japan shall have the right to travel freely to any part of Great Britain.

Article III.—The ports and towns of Hakodadi, Kanagawa, and Nagasaki shall be opened to British subjects on the first of July, one thousand eight hundred and fifty-nine. In addition to which, the following ports and towns shall be opened to them at the dates herein-after specified.—

Nee-e-gata, or, if Nee-e-gata be found to be unsuitable as a harbour, another convenient port on the west coast of Nipon, on the first day of January, one thousand eight hundred and sixty.

Hiogo, on the first day of January, one thousand eight hundred and sixty-three.

In all the foregoing ports and towns British subjects may permanently reside. They shall have the right to lease ground, and purchase the buildings thereon, and may erect dwelling and warehouses; but no fortification, or place of military strength, shall be erected under pretence of building dwelling or warehouses: and to see that this Article is observed, the Japanese authorities shall have the right to inspect, from time to time, any buildings which are being erected, altered, or repaired.

The place which British subjects shall occupy for their buildings, and the harbour regulations, shall be arranged by the British Consul and the Japanese authorities of each place, and, if they cannot agree, the matter shall be referred to and settled by the British Diplomatic Agent and the Japanese Government. No wall, fence, or gate shall be erected by the Japanese around the place where British subjects reside, or anything done which may prevent a free egress or ingress to the same.

British subjects shall be free to go where they please, within the following limits, at the opened ports of Japan.—

At Kanagawa to the river Logo (which empties into the bay of Yedo, between Kawasaki and Sinagowa), and ten *ri* in any other direction.

At Hakodadi ten *ri* in any direction

At Hiogo ten *ri* in any direction, that of Kioto excepted, which city shall not be approached nearer than ten *ri*. The crews of vessels resorting to Hiogo shall not cross the River Enagawa, which empties into the bay between Hiogo and Osaca.

The distance shall be measured by land from the goyoso, or town hall, of each of the foregoing ports, the *ri* being equal to four thousand two hundred and seventy-five yards English measure.

At Nagasaki, British subjects may go into any part of the Imperial domain in its vicinity

The boundaries of Nee-e-gata, or the place that may be substituted

for it, shall be settled by the British Diplomatic Agent and the Government of Japan.

From the first day of January, one thousand eight hundred and sixty-two, British subjects shall be allowed to reside in the city of Yedo, and from the first day of January, one thousand eight hundred and sixty-three, in the city of Osaka, for the purposes of trade only. In each of these two cities a suitable place, within which they may hire houses, and the distance they may go, shall be arranged by the British Diplomatic Agent and the Government of Japan.

Article IV.—All questions in regard to rights, whether of property or person, arising between British subjects in the dominions of His Majesty the Tycoon of Japan, shall be subject to the jurisdiction of the British authorities.

Article V.—Japanese subjects, who may be guilty of any criminal act towards British subjects, shall be arrested and punished by the Japanese authorities according to the laws of Japan.

British subjects who may commit any crime against Japanese subjects, or the subjects or citizens of any other country, shall be tried and punished by the Consul, or other public functionary authorised thereto, according to the laws of Great Britain.

Justice shall be equitably and impartially administered on both sides

Article VI.—A British subject having reason to complain of a Japanese must proceed to the Consulate and state his grievance.

The Consul will inquire into the merits of the case, and do his utmost to arrange it amicably. In like manner, if a Japanese have reason to complain of a British subject, the Consul shall no less listen to his complaint, and endeavour to settle it in a friendly manner. If disputes take place of such a nature that the Consul cannot arrange them amicably, then he shall request the assistance of the Japanese authorities, that they may together examine into the merits of the case, and decide it equitably.

Article VII.—Should any Japanese subject fail to discharge debts incurred to a British subject, or should he fraudulently abscond, the Japanese authorities will do their utmost to bring him to justice, and to enforce recovery of the debts; and should any British subject fraudulently abscond or fail to discharge debts incurred by him to a Japanese subject, the British authorities will, in like manner, do their utmost to bring him to justice, and to enforce recovery of the debts

Neither the British or Japanese Governments are to be held responsible for the payment of any debts contracted by British or Japanese subjects.

Article VIII.—The Japanese Government will place no restrictions whatever upon the employment, by British subjects, of Japanese in any lawful capacity.

Article IX.—British subjects in Japan shall be allowed the free exercise of their religion, and for this purpose shall have the right to erect suitable places of worship

Article X.—All foreign coin shall be current in Japan, and shall pass for its corresponding weight in Japanese coin of the same description.

British and Japanese subjects may freely use foreign or Japanese coin in making payments to each other.

As some time will elapse before the Japanese will become acquainted with the value of foreign coin, the Japanese Government will, for the period of one year after the opening of each port, furnish British subjects with Japanese coin in exchange for theirs, equal weights being given, and no discount taken for re-coinage.

Coins of all description (with the exception of Japanese copper coin) as well as foreign gold and silver uncoined, may be exported from Japan.

Article XI.—Supplies for the use of the British navy may be landed at Kanagawa, Hakodadi, and Nagasaki, and stored in warehouses, in the custody of an officer of the British Government, without the payment of any duty; but if any such supplies are sold in Japan, the purchaser shall pay the proper duty to the Japanese authorities.

Article XII.—If any British vessel be at any time wrecked or stranded on the coasts of Japan, or be compelled to take refuge in any port within the dominions of the Tycoon of Japan, the Japanese authorities, on being apprized of the fact, shall immediately render all the assistance in their power, the persons on board shall receive friendly treatment, and be furnished, if necessary, with the means of conveyance to the nearest Consular station.

Article XIII.—Any British merchant vessel arriving off one of the open ports of Japan, shall be at liberty to hire a pilot to take her into port. In like manner, after she has discharged all legal dues and duties, and is ready to take her departure, she shall be allowed to hire a pilot to conduct her out of port.

Article XIV.—At each of the ports open to trade, British subjects shall be at full liberty to import from their own or any other ports, and sell there, and purchase therein, and export to their own or any other ports, all manner of merchandise, not contraband, paying the duties thereon, as laid down in the tariff annexed to the present Treaty, and no other charges whatsoever.

With the exception of munitions of war, which shall only be sold to the Japanese Government and foreigners, they may freely buy from Japanese, and sell to them, any articles that either may have for sale, without the intervention of any Japanese officers in such purchase or sale, or in making or receiving payment for the same; and all classes of Japanese may purchase, sell, keep, or use any articles sold to them by British subjects.

Article XV.—If the Japanese Custom-house officers are dissatisfied with the value placed on any goods by the owner, they may place a value thereon, and offer to take the goods at that valuation. If the owner refuses to accept the offer he shall pay duty on such valuation. If the offer be accepted by the owner, the purchase-money shall be paid to him without delay, and without any abatement or discount.

Article XVI.—All goods imported into Japan by British subjects, and which have paid the duty fixed by this Treaty, may be transported by the Japanese into any part of the Empire without the payment of any tax, excise, or transit duty whatever.

Article XVII.—British merchants who may have imported merchandise into any open port in Japan, and paid duty thereon, shall be entitled, on obtaining from the Japanese Custom-house authorities a certificate stating that such payment has been made, to re-export the

same, and land it in any other of the open ports without the payment of any additional duty whatever.

Article XVIII.—The Japanese authorities at each port will adopt the means that they may judge most proper for the prevention of fraud or smuggling.

Article XIX.—All penalties enforced, or confiscations made under this Treaty, shall belong to, and be appropriated by, the Government of His Majesty the Tycoon of Japan.

Article XX.—The Articles for the regulation of trade which are appended to this Treaty shall be considered as forming a part of the same, and shall be equally binding on both the contracting parties to this Treaty, and on their subjects.

The Diplomatic Agent of Great Britain in Japan, in conjunction with such person or persons as may be appointed for that purpose by the Japanese Government, shall have power to make such rules as may be required to carry into full and complete effect the provisions of this Treaty, and the provisions of the articles regulating trade appended thereto.

Article XXI.—This Treaty being written in the English, Japanese, and Dutch languages, and all the versions having the same meaning and intention, the Dutch version shall be considered the original, but it is understood that all official communications addressed by the Diplomatic and Consular Agents of Her Majesty the Queen of Great Britain to the Japanese authorities, shall henceforward be written in English. In order, however, to facilitate the transaction of business, they will, for a period of five years from the signature of this Treaty, be accompanied by a Dutch or Japanese version.

Article XXII.—It is agreed that either of the high contracting parties to this Treaty, on giving one year's previous notice to the other, may demand a revision thereof, on or after the first of July, one thousand eight hundred and seventy-two, with a view to the insertion therein of such amendments as experience shall prove to be desirable.

Article XXIII.—It is hereby expressly stipulated that the British Government and its subjects will be allowed free and equal participation in all privileges, immunities, and advantages that may have been, or may be hereafter, granted by His Majesty the Tycoon of Japan to the Government or subjects of any other nation.

Article XXIV.—The ratification of this Treaty, under the hand of Her Majesty the Queen of Great Britain and Ireland, and under the name and seal of His Majesty the Tycoon of Japan, respectively, shall be exchanged at Yedo, within a year from this day of signature.

In token whereof, the respective Plenipotentiaries have signed and sealed this treaty.

Done at Yedo, this twenty-sixth day of August, one thousand eight hundred and fifty-eight, corresponding to the Japanese date the eighteenth day of the seventh month of the fifth year of Ansei Tsut sinonye mma.

(Signed)

ELGIN AND KINCARDINE
MIDZUO TSUKFUGONO KAMI.
NAGAI GEMBANO KAMI.
INOUEYU SINANO NO KAMI.
HORI ORIBENO KAMI
IWASE HIGONO KAMI
ISUDA HAUZABRO

CHAPTER XVIII.

THE COMMERCIAL CRISIS OF 1857.

Effect of Gold Discoveries — Crisis in the United States.—Alarm and Crisis in England—State of the Bank of England—Failures in Scotland—The Treasury Letter.—Excess of Circulation—Fall of Prices—The Crisis in the North of Europe.—Parliamentary Inquiry.—John Stuart Mill on the Bank Acts.

For a few years after the discovery of gold in California and Australia, the trade of the country continued in a most prosperous condition. An extensive demand for the United States, for France, and for Australia had imparted a wonderful buoyancy to business. The agricultural interest had benefited by several excellent harvests; the prices of bread, meat, and provisions were highly remunerative. Money was at a low rate, and so abundant was it that Mr. Gladstone was induced to bring forward his plan for the reduction of the national debt by the issue of Exchequer bonds at $2\frac{1}{2}$ per cent., whilst the Bank of England saw in its coffers, in July 1852, the largest sum ever on hand, 22,000,000*l.* in amount. But little by little a great and perceptible change took place in the economic condition of the country. If the import of bullion increased enormously of late years, so did the export, principally of silver to India and China,¹ increase in a high ratio. The European stock of bullion was estimated to have increased by 79,000,000*l.* between 1851 and 1856, and yet the Bank of England saw its own stock decreasing sensibly; the causes of the export to the East being a large expenditure in railways, and heavy payments to be made for silk and other articles imported. The war in the Crimea also necessitated large remittances of money for the payment of the troops, and there was a considerable amount of uncertainty and anxiety as to the future, always unfavourable to confidence in trade and finance. And consequently it was not long before the rate of interest reflected this altered state of matters. After remaining for some time at $2\frac{1}{2}$ and 2 per cent. per annum, the minimum rate charged by the Bank of England was raised on the third week of 1853 to

¹ The exports of gold and silver bullion and specie were as follows:—1852, 10,295,000*l.*; 1853, 18,906,000*l.*; 1854, 22,586,000*l.*; 1855, 18,828,000*l.*; 1856, 24,852,000*l.*; and 1857, 33,567,000*l.*

3 per cent., and by the end of the year to 5 per cent. In 1854 the rate rose to $5\frac{1}{2}$ per cent. In 1855 the rate fluctuated between 4 and 5 per cent.; and in 1856 it touched 7 per cent.

About this time, however, a new source of disturbance was manifested in a crisis in the United States, which commenced with a great depreciation of railway securities, and was followed by the failure of a very important corporation called the Ohio Life and Trust Company. Before October 8, 1857, the tidings from America had become very serious. News came that the banks in Philadelphia and Baltimore had suspended cash payments; that cotton bills were reduced to par, and bankers' drafts to 105; that railway securities were depreciated from 10 to 20 per cent.; that artisans were thrown out of employment; that discounts ranged from 10 to 20 per cent.; that in New York 62 out of its 63 banks suspended cash payments; and that in Boston, Philadelphia, and Baltimore, the banks generally did the same. At a time when the transactions between America and England were so numerous and large, when the declared value of British and Irish produce exported to the United States was nearly 22,000,000*l.*, and the amount of securities held by English capitalists in America was estimated at 80,000,000*l.*—the state of commercial disorder in the United States could not fail to produce great alarm in England. The effect of the American calamity fell with the greatest weight upon those engaged in trade with that country, and Liverpool, Glasgow, and London naturally exhibited the first evidences of pressure. On October 27 the Borough Bank of Liverpool closed its doors; and on November 7 the great commercial house of Dennistoun and Company suspended payments. The Western Bank of Scotland failed on November 9, and on the 11th the City of Glasgow Bank did the same.² And these were followed by the Northumberland and Durham District Bank and the Wolverhampton Bank.

Great alarm naturally prevailed in London, the centre of the monetary transactions of the world, in consequence of such occurrences, and there was reason to apprehend that serious evils would result from them. It should be remembered that the vast sums deposited with the joint-stock banks, at interest, are chiefly held at call; and that the bill brokers, who carry on their enormous transactions without any cash reserve, rely on the payment of their bills falling due, or, in case of extremity, on the power of obtaining advances from the Bank of England on the security of bills under discount. What if the deposits were withdrawn, and the banks should be unable to accommodate the bill brokers? Yet it is indispensable that at a time of commercial pressure and alarm bankers who are liable to return all the money so held should limit

² The liabilities of the Bank amounted to 8,911,932*l.*, but the creditors were paid in full with interest to December 28, 1858, the date of the last dividend.

their discounts almost exclusively to their own customers, and add to their reserves, both in their own tills and at the Bank of England. Bankers well knew, moreover, that a periodical disturbance in the reserve of notes at the Bank of England regularly occurs at the time when the dividends upon the national debt are paid. And though as yet the deposits seemed to be in a satisfactory state, it was evident at that particular juncture that the deposits at the Bank of England were increasing at the expense of those of other establishments. Hence bill brokers, shut out from their own bankers, were compelled to resort to the Bank of England for assistance, and by so doing greatly aggravated the position of the Bank. The monetary condition of the Bank, previous to the issue of the government letter, was depicted by the directors as follows:—

On October 24 the bullion in the issue department of the Bank was 8,771,000*l.*; the reserve, 4,079,000*l.*; the notes in the hands of the public, 19,766,000*l.*; the discounts and advances, 10,262,000*l.*; and the deposits, 16,126,000*l.*; the rate of discount at the Bank being 8 per cent. for bills having not more than 95 days to run. In the following week a great shock to credit, and a consequent demand on the Bank of England for discount, arose from the failure of the Liverpool Borough Bank, whose re-discounted bills were largely held by the bill brokers and others in London. The effects of this and other failures, however, up to this time, had not occasioned any alarming pressure on the resources of the Bank or great disquietude in commercial affairs in London. On November 5 the reserve being 2,944,000*l.*; the bullion in the issue department, 7,919,000*l.*; and the deposits, 17,265,000*l.*, the rate of discount was advanced to 9 per cent. Nevertheless, the continental drain for gold had practically ceased, the American demand had become unimportant, and there was at that time little apprehension that the Bank issue would be inadequate to meet the necessities of commerce within the legalised sphere of their circulation.

Upon this state of things, however, supervened the failure of the Western Bank of Scotland and the City of Glasgow Bank and a renewed discredit in Ireland, causing an increased action upon the English circulation, by the abstraction in four weeks of upwards of two millions of gold to supply the wants of Scotland and Ireland; of which amount more than one million was sent to Scotland, and 280,000*l.* to Ireland, between November 5 and 12. This drain was in its nature sudden and irresistible, and acted necessarily in diminution of the reserve, which on the 11th had decreased to 1,462,000*l.*, and the bullion to 6,666,000*l.* The public became alarmed, large deposits accumulated in the Bank of England, money-dealers having vast sums lent to them upon call were themselves obliged to resort to the Bank of England for

increased supplies, and for some days nearly the whole of the requirements of commerce were thrown on the Bank. On the 12th, the Bank discounted and advanced to the amount of 2,373,000*l.*, remaining with a reserve of 581,000*l.* The diagram of the operation of the Bank Acts will best show the condition of the Bank at this momentous time.

But a rise in the rate of discount to 9 per cent. failed to check the demand, and on the 9th the Bank of England increased its minimum rate of discount to 10 per cent. A state of discredit set in which threatened the most serious results, and the necessity for government interposition having become apparent, after correspondence on the subject, a government letter was issued, dated November 12, in which, in consideration of the discredit and distrust which existed from the withdrawal of the large amount of paper circulation, the directors of the Bank were authorised in the existing emergency to meet the demand for discounts and advances, upon approved securities, even in excess of the limits to their circulation prescribed by the act of 1844. The government letter was as follows:—

Downing Street, November 12, 1857.

GENTLEMEN,—Her Majesty's Government have observed with great concern the serious consequences which have ensued from the recent failure of certain joint-stock banks in England and Scotland, as well as of certain large mercantile firms, chiefly concerned with the American trade. The discredit and distrust which have resulted from these events, and the withdrawal of a large amount of the paper circulation authorized by the existing Bank Acts, appear to her Majesty's Government to render it necessary for them to inform the directors of the Bank of England, that if they should be unable, in the present emergency, to meet the demands for discounts and advances upon approved securities without exceeding the limits of the circulation prescribed by the Act of 1844, the Government will be prepared to propose to Parliament, upon its meeting, a bill of indemnity for any excess so issued. In order to prevent this temporary relaxation of the law being extended beyond the actual necessities of the occasion, her Majesty's Government are of opinion that the Bank terms of discount should not be reduced below their present rate. Her Majesty's Government reserve for future consideration the appropriation of any profit which may arise upon issues in excess of the statutory amount. Her Majesty's Government are fully impressed with the importance of maintaining the letter of the law, even in a time of considerable mercantile difficulty; but they believe that, for the removal of apprehensions which have checked the course of monetary transactions, such a measure as is now contemplated has become necessary, and they rely upon the discretion and prudence of the directors for confining the operation within the strict limits of the exigencies of the case. We have, &c ,

(Signed)

PALMERSTON.
G. C. LEWIS.

Although the letter produced a considerable effect in allaying

the extraordinary fear and alarm, the demand for discount and advances continued to increase till November 21, when they reached their maximum of 21,616,000*l.* The public also required a much larger quantity of notes than usual at that season, the amount in their hands having risen on the 21st to 21,554,000*l.* Under the authority of the letter from the Treasury the Bank issued 2,000,000*l.* of notes in excess of the limits of the circulation prescribed by the Act of 1844, and passed securities to the issue department to that amount. That, however, is not the measure of the amount actually parted with by the Bank, which did not exceed 928,300*l.*, the remainder of the 2,000,000*l.* having been retained as a reserve of notes in the banking department, which, at the same time, also held 407,420*l.* in coin. In discounts and advances, the sum supplied to the public between November 12 and December 1 amounted in the aggregate to 12,645,000*l.*

The losses produced by this crisis were very heavy, especially from the fall in the prices of merchandise. In July 1857, Bengal silk was quoted 15*s.* to 33*s.* 6*d.* per lb.; in January, 1858, 11*s.* to 24*s.*: China silk, July 1857, 10*s.* to 29*s.*; January 1858, 6*s.* to 7*s.*: tallow fell from 80*s.* to 60*s.*; sugar from 55*s.* to 35*s.* per cwt.; cotton from 7*d.* to 6*d.*; tin from 135*s.* to 122*s.* per cwt.; tea, Congou, from 1*s.* 3*d.* to 1*s.* per lb. Taken generally, the prices of commodities fell from 20 to 30 per cent. Yet with all this, the chief failures in 1857-58 did not so much arise from the panic consequent on the crisis as from the effect of a system of acceptances and open credits, or from trading on fictitious credit, then largely prevalent. Upon a review of the circumstances connected with the chief failures, the committee of the House of Commons stated: 'It is impossible for your committee to attribute the failure of such establishments to any other cause than to their inherent unsoundness, the natural, the inevitable result of their own misconduct. Thus we have traced a system under which extensive fictitious credits have been created by means of accommodation bills and open credits, great facilities for which have been offered by the practice of joint-stock country banks discounting such bills, and rediscounting them with the bill brokers in the London market, upon the credit of the Bank alone, without reference to the quality of the bills otherwise.'

The crisis of 1857 was not limited to England and America. The suspension of several London houses connected with the Swedish trade, a large amount of whose bills were endorsed by Hamburg firms, coupled with the effect of over-speculation and an undue expansion of credit, caused great excitement and alarm in Hamburg; and so great was the excitement that the senate obtained a silver loan of 10,000,000 marks banco from Austria to be employed in discounting good mercantile bills. In Norway and Denmark the commercial community was in great straits; and

the Norwegian and Danish Government came to the assistance of traders by contracting a public loan for the very purpose. In Sweden a crisis as severe took place, and to meet it the National Bank was authorised to borrow abroad 12,000,000 rix dollars, to be apportioned according to the wants of the different towns. In Prussia a law was passed on November 27 abolishing the legal rate of interest for money advanced on securities for a period of three months, so that the commercial crisis was but partially felt. But Holland passed through the difficult times without any reverses, and so did Belgium. Truly there is a close bond of interest between the great centres of monetary transactions. Observers of meteorological phenomena are able to trace the advance of a storm from its first rise in the far west and to follow it all along its course as it sweeps over the ocean till it reaches the British shores, and so may we in commercial and monetary crises trace their progress as they advance from New York or Calcutta, and see them gathering strength, till they finally fill all Europe with alarm and distress.

On the assembling of Parliament, a bill to indemnify the governor and company of the Bank of England, in respect of certain issues of their notes, to confirm such issues, and to authorise further issues, for a time to be limited, was presented by Mr. Fitzroy, the Chancellor of the Exchequer, and Viscount Palmerston, and passed into law. And a committee of the House was moved to inquire into the operation of the Bank Acts of 1844 (7 & 8 Vict. c. 32) and of the Bank Acts for Ireland and Scotland of 1845 (8 & 9 Vict. c. 37 & 38), and into the causes of the recent commercial distress, and to investigate how far it has been affected by the laws for regulating the issue of bank notes payable on demand.

Before that committee many witnesses appeared, including the governor and deputy-governor of the Bank of England, Mr. William Newmarch, F.R.S., Mr. John Stuart Mill, Mr. Hubbard, Mr. Norman, and Lord Overstone, each of whom expressed distinct opinions on the working of the Bank Act. Mr. John Stuart Mill was against any restriction by law of the issue of notes, except that of convertibility. He thought the separation of the two departments of the Bank of England most prejudicial, and productive of violent and frequent fluctuations in the rate of discount, though in some cases, as at the commencement of a revulsion from a state of over speculation, it might be useful. He was in favour of removing the present restrictions both from the Bank of England and from all other banks, and in his opinion the convertibility of the note would be quite as safe without the Act of 1844 as with it. But other witnesses expressed a contrary opinion, and after two years' labour, the committee reported that no mischief would result from a temporary continuance of the present

state of things, under which the Bank of England held the powers given by the Act of 1844, subject to a notice of twelve months, which may at any time be given by the House of Commons through the Speaker. Draft reports were also proposed by Mr. Spooner and Mr. Cayley, but on the motion that the report prepared by the Chancellor of the Exchequer be read a second time, nineteen members of the committee voted in the affirmative, and two only in the negative, viz. Mr. Spooner and Mr. Cayley. The Bank Charter Acts have thus been allowed to remain undisturbed in the statute book of the realm; and though, a few years after, her Majesty's Government was once more under the necessity of suspending their operation, the different questions connected with that legislation have not been reopened.

CHAPTER XIX.

COMMERCIAL AND ECONOMIC PROGRESS.—1850-1860.

Effect of the Discoveries of Gold and of the Mutinies in India.—Progress of Population.—Evidence of Improved Condition of the People.—Increase of Trade and Banking.—Increase of Wealth—State of Finances.—Factory Statistics—Treaties—Progress of Art and Science.—Statistics of Trade and Finance, 1841-1860

THE first International Exhibition, the discoveries of gold in California and Australia, the Russian war, the mutinies in India, the war in China, and a commercial crisis, these were the events which distinguished the decennium from 1850 to 1860. Marked were the effects of the gold discoveries on the exports of British produce and manufactures to the United States and Australia; and the problem of a possible diminution in the value of gold relatively to that of other commodities and the foreign exchanges, attracted much attention. M. Michel Chevalier, Professor W. Stanley Jevons, Professor Leslie, and M. Francis Jourdan's contributions on the subject are worthy of careful study. The mutinies in India led to the transference of the government of India from the East India Company to the Crown in 1858. From 1852 to 1856 considerable commercial excitement existed, greatly stimulated by the formation of Joint Stock Companies with limited liability, but it ended in the severe crisis of 1857. Consequently the rate of discount, which in the first years of the decennium averaged from 2 to 3 per cent., rose in 1857 to an average of $6\frac{3}{4}$ per cent. But notwithstanding such grave perturbations the economic condition of the people improved.

The population of the United Kingdom increased as follows:—

—	1851	1861	Increase per Cent	Decrease per Cent.
England and Wales	18,054,000	20,228,000	12	—
Scotland	2,922,000	3,097,000	5 98	—
Ireland	6,624,000	5,850,000	—	11 68
Isles in the British sea	145,000	146,000	—	—
	27,745,000	29,321,000	5 67	—

The population of the principal towns was as follows:—

—	1851	1861	Increase per Cent
London	2,362,000	2,804,000	18
Birmingham	233,000	296,000	27
Bradford	104,000	106,000	2
Belfast	87,000	122,000	40
Bristol	137,000	154,000	12
Glasgow	329,000	477,000	44
Leeds	172,000	207,000	20
Liverpool with West Derby	387,000	460,000	18
Manchester with Salford	401,000	441,000	40
Newcastle-on-Tyne	88,000	109,000	23
Nottingham	57,000	75,000	31
Sheffield	135,000	185,000	37
Wolverhampton	50,000	61,000	22

The improved condition of the people may be elicited from their increasing consumption of the principal imported articles of food and drink:—

—	1850	1860	Increase per Cent	Decrease per Cent
Bacon and Hams . . lbs	Per Head 1.41	Per Head 1.27	—	9
Butter	1.30	3.26	150	—
Sugar, raw	24.79	33.11	33	—
Tea	1.86	2.67	43	—
Tobacco	1.00	1.22	22	—
Wine	0.23	0.23	—	—
Spirits, British	0.87	0.74	—	14
Malt	1.47	1.45	—	1

The amount of trade greatly increased. In 1850 the exports of British produce and manufacture amounted to 71,368,000*l.*, or in a proportion of 2*l.* 11*s.* 10*d.* per head. In 1860 they amounted to 135,891,000*l.*, or in the proportion of 4*l.* 14*s.* 7*d.* In 1855 the real value of the imports as well as of the foreign and colonial produce exported were first given, and we have thereby a more complete and reliable view of the trade of the United Kingdom.

The total amounts were as follows:—

(,000 omitted)

Year	Imports	Exports British, Foreign, and Colonial Produce	Total	Proportion per Head
	£	£	£	£ s d
1855	143,543	116,691	260,234	9 7 0
1860	210,531	164,521	375,052	13 0 7

With this increase of trade and activity, there was also a considerable increase of wealth, as evidenced from the following facts.

The deposits at the London Joint Stock Banks increased as follows:—

	London and Westminster £	London Joint Stock £	Union Bank £	London and County £	City Bank £	Bank of London £	Total £
1850	3,969,648	2,949,869	2,963,583	2,030,238	—	—	11,913,338
1855	8,744,095	6,241,594	8,363,460	4,443,359	—	—	27,792,508
1860	12,484,454	10,562,658	10,352,703	5,532,614	2,468,560	1,697,389	43,098,379

The London Joint Stock Banks were first admitted to the Clearing House in 1854. Considerable increase also is found in the amount of property and income assessed to Income tax. The tax was extended to Ireland in 1853, and therefore no comparison can be instituted between 1850 and 1860. The amounts were as follows:—

(,000 omitted.)

Schedules	1850 Great Britain £	1860 Great Britain and Ireland £
A. Lands and Tenements .	105,025	138,951
B Occupation of Land .	48,103	52,003
C Annuities and Dividends	26,310	29,701
D Professions and Trade	64,934	95,439
E Public Offices Pensions . .	11,760	19,094
	256,132	335,188

The amount of capital held at the Savings' Banks in the United Kingdom increased from 28,931,000*l.* in 1850 to 41,258,000*l.* in 1860. The amount expended in actual relief of the poor in England and Wales in 1850 was 5,395,000*l.*, and in 1860, 5,455,000*l.* In 1860 the number of paupers in England and Wales was 851,020. Since 1846 there was a great increase in the number of emigrants to the United States, to the North American Colonies, and to the Australian Colonies.

The finances were at first in a very prosperous condition. Sir Charles Wood, the Chancellor of the Exchequer in the Russell administration, had the rare fortune of exhibiting a yearly surplus, and many were the motions for the repeal or reduction of taxes. But a change of government took place in 1852, and after a short tenure of office by Mr. Disraeli, Mr. Gladstone, as Chancellor of the Exchequer in the Lord Aberdeen administration, inaugurated some important reforms in many branches of the revenue, made many remissions of duties, and uttered sentiments adverse to the retention of the Income tax as part of the permanent system of public revenue. The finances in 1854 were altered by the Russian war. With a change of government in 1855, Sir George Lewis became Chancellor of the Exchequer, and he required additional taxes to meet the increasing expenditure, whilst the funded debt was increased to the extent of 32,000,000*l.* Once more Mr. Dis-

raehl became Chancellor of the Exchequer in 1858, but he had to struggle with continued deficiencies, and he continued till June 20, when with the second Palmerston administration Mr. Gladstone again assumed the management of national finances.

The increase of textile manufactures in the United Kingdom may be seen from the following factory statistics:—

—	Factories		Spindles		Persons employed	
	1850	1861	1850	1861	1850	1861
Cotton	1,932	2,887	20,977,017	30,387,467	330,924	451,569
Woollen .	1,497	1,679	1,595,278	2,182,609	74,443	86,983
Worsted .	501	532	875,830	1,289,172	79,737	86,063
Flax .	393	399	965,031	1,216,674	68,434	87,429
Silk . .	277	771	1,225,560	1,338,544	42,544	52,429
	4,600	6,268	25,638,716	36,414,466	596,082	764,473

Memorable among the treaties concluded in this period were those with China and Japan. Other treaties of commerce were concluded with Belgium, 1851; Netherlands, 1851; Sardinia, 1851 and 1854; Switzerland, 1855; Russia, 1859; France, 1860. Also with Siam, in 1855; and Persia, in 1857; with Morocco, in 1856; and with Ecuador, 1851; Buenos Ayres, 1853; Chili, 1852 and 1854; Paraguay, 1853; and Honduras, 1856. Treaties on international copyright were concluded with France, 1851; Hamburg, 1853; Belgium, 1854; Prussia, in 1855; and Spain, 1857. The redemption of Sound Dues was the subject of a general treaty with Denmark, in 1857.

On January 4, 1856, Mr. Henry Bessemer registered his patent for improvements in the manufacture of iron and steel, the object of the invention being, the more perfect refinement of iron by exposing it in a more divided or extended form to the intense heat of the furnace and to the oxydising action of a blast of air by keeping such fluid metal in motion, and continually bringing fresh portions of it in contact with oxygen and with intensely ignited fuel or with the highly heated interior surface of the furnace, the metal being thus kept in a fluid state until the desired amount of decarbonization or refinement is arrived at. In 1856 aniline violet was patented by Perkins, and red aniline by Dr. Hoffman. The industrial application of these discoveries produced a considerable revolution in the manufacture of colours. The establishment of the Museum of Science and Art at South Kensington, established in 1857, has ever since exercised a considerable influence in the diffusion of a better taste and in the introduction of scientific appliances in the industrial arts of the United Kingdom.

Whilst recording the gains it is also necessary to record the losses. Deducting the total amount of average annual *peace* establishment for navy, army, and ordnance services from the total expenditure for these services during war, it appears that the Russian War, 1854-56, cost to the United Kingdom 69,278,000*l.*; that the second China War, 1856-7 and 1860-1, cost 6,640,697*l.*, and the Persian expedition, 900,000*l.*

REVENUE AND EXPENDITURE OF THE UNITED KINGDOM

(,000 omitted.)

Year ended	Revenue	Expenditure	Year ended	Revenue	Expenditure
	£	£		£	£
January 5, 1841	51,865	53,244	January 5, 1851	57,520	54,692
" 1842	52,228	54,315	" 1852	56,773	54,046
" 1843	51,122	55,101	" 1853	57,727	55,309
" 1844	56,806	55,361	" 1854	59,097	55,798
" 1845	58,303	54,841	March 31, 1855	62,970	69,125
" 1846	57,556	53,737	" 1856	70,344	93,066
" 1847	58,294	55,448	" 1857	72,893	76,147
" 1848	56,135	59,128	" 1858	68,002	68,240
" 1849	58,159	58,955	" 1859	65,623	64,003
" 1850	57,576	55,478	" 1860	71,205	69,611

TRADE OF THE UNITED KINGDOM

(,000 omitted.)

Year	Imports Official Value	Exports British Produce. Real Value	Year	Imports. Official Value	Exports British Produce Real Value
	£	£.		£	£
1841	62,685	51,545	1848	89,253	52,849
1842	63,589	47,285	1849	99,843	63,596
1843	68,483	52,206	1850	100,460	71,368
1844	73,548	58,535	1851	110,679	74,449
1845	83,331	60,111	1852	109,345	78,077
1846	73,058	57,787	1853	123,099	98,934
1847	82,887	58,842			

Year	Real Value	Exports	
		British Produce	Foreign and Colonial
	£	£	£
1854	152,389	97,184	18,636
1855	143,542	95,688	21,003
1856	172,544	115,827	23,393
1857	187,844	122,066	24,108
1858	164,584	116,609	23,174
1859	179,182	130,412	25,281
1860	210,531	135,891	28,630

TONNAGE OF SHIPPING BELONGING TO THE UNITED KINGDOM.

Year	Tons	Year	Tons
1841 . .	2,935	1851 . .	3,662
1842 . .	3,041	1852 . .	3,759
1843 . .	3,007	1853 . .	4,030
1844 . .	3,044	1854 . .	4,249
1845 . .	3,123	1855 . .	4,349
1846 . .	3,199	1856 . .	4,367
1847 . .	3,308	1857 . .	4,558
1848 . .	3,401	1858 . .	4,658
1849 . .	3,486	1859 . .	4,663
1850 . .	3,565	1860 . .	4,659

AVERAGE PRICES OF WHEAT.

Year	s	d	Year	s.	d.
1841 . .	64	4	1851 . .	38	6
1842 . .	57	3	1852 . .	40	10
1843 . .	50	1	1853 . .	53	3
1844 . .	51	3	1854 . .	72	5
1845 . .	50	10	1855 . .	74	8
1846 . .	54	8	1856 . .	69	2
1847 . .	69	9	1857 . .	56	4
1848 . .	50	6	1858 . .	44	2
1849 . .	44	3	1859 . .	43	9
1850 . .	40	3	1860 . .	53	3

PROGRESS OF BRITISH COMMERCE.

(&000 omitted.)

	1850	1855	Per Cent in 5 Years		1860	Per Cent in 5 Years		Per Cent in 10 Years	
			Increase	Decrease		Increase	Decrease	Increase	Decrease
Imports of raw materials.									
Cotton wool, lbs	663,600	891,744	34	—	1,390,928	55	—	109	—
Wool, sheep's „	74,327	99,300	33	—	148,396	59	—	100	—
Flax, cwts	1,323	1,305	—	28	1,481	13	—	—	18
Silk, lbs.	5,352	6,618	23	—	9,178	23	—	71	—
Exports of British produce and manufacture.									
	£	£			£				
Cotton manufacture	21,873	27,576	26	—	42,141	52	—	92	—
„ yarn	6,384	7,200	12	—	9,871	37	—	54	—
Woollen manufacture	8,589	7,718	—	10	12,157	57	—	41	—
„ yarn	1,452	2,026	39	—	3,843	89	—	164	—
Silk manufacture	1,041	1,082	3	—	1,587	46	—	52	—
„ yarn	161	541	176	—	826	52	—	413	—
Linen manufacture	3,948	4,118	4	—	4,804	16	—	21	—
„ yarn	881	992	5	—	1,801	93	—	105	—
Hardware	2,641	2,959	12	—	3,770	27	—	42	—
Machinery	1,042	2,243	119	—	3,838	71	—	268	—
Iron and steel	5,350	9,465	76	—	12,154	28	—	127	—
Coal	1,284	2,446	12	—	3,316	35	—	158	—
Earthenware	999	1,000	1	—	1,450	45	—	45	—
Declared value of exports.									
British produce and manu- factures	£ 71,367	£ 95,688	34	—	£ 135,891	41	—	90	—
Distribution of exports.									
	£	£			£				
Northern Europe ¹	2,272	1,792	—	21	5,042	181	—	121	—
Central „	12,090	16,053	32	—	21,217	32	—	75	—
Western „	4,835	9,467	95	—	10,879	14	—	116	—
Southern „	4,016	4,429	10	—	6,902	53	—	71	—
United States of America ²	14,891	17,318	16	—	21,667	25	—	45	—
British North America ³	3,235	2,885	—	10	3,727	28	—	15	—
British West Indies ⁴	2,030	1,980	—	2	2,559	29	—	26	—
British India ⁵	8,022	10,926	36	—	19,307	91	—	140	—
Australia ⁶	2,602	6,279	141	—	9,707	54	—	273	—
Imports of articles of food and drink.									
Grain, cwts	32,369	32,762	1	—	52,353	59	—	61	—
Tea, lbs.	50,512	83,260	64	—	88,946	6	—	76	—
Sugar, cwts.	7,196	7,324	1	—	8,817	20	—	22	—
Wine, galls	9,304	8,946	—	3	12,475	39	—	34	—
Tonnage of British and foreign vessels entered and cleared.									
British	9,443	10,920	14	—	13,915	27	—	47	—
Foreign	5,062	7,569	49	—	10,774	42	—	112	—
	14,505	18,489	27	—	24,689	33	—	70	—
Tonnage belonging to the United Kingdom									
Sailing vessels	3,396	3,969	16	—	4,204	6	—	23	—
Steam „	168	881	126	—	454	19	—	170	—
	3,565	4,350	22	—	4,658	7	—	30	—

¹ Russia, Sweden, Norway, Denmark, Helgoland.² Germany, Holland, and Belgium³ France, Portugal with Azores and Madeira, and Spain with Gibraltar.⁴ Italy, Austria, Greece, Ionian Islands, Malta, and Canaries⁵ United States of America⁶ British North America.⁷ British West Indies, with British Guiana and Honduras⁸ British India, Ceylon, and Singapore.⁹ Australian colonies and New Zealand

PART V.



1860—1879.

FROM THE CONCLUSION OF THE TREATY OF
COMMERCE WITH FRANCE
TO
THE STATE OF BRITISH COMMERCE IN 1878.

- CHAPTER I. TREATIES OF COMMERCE.
- „ II THE ASSOCIATED CHAMBERS OF COMMERCE AND
COMMERCIAL OPINION.
 - „ III. CIVIL WAR IN THE UNITED STATES AND ITS IN-
FLUENCE ON BRITISH COMMERCE.
 - „ IV. THE ALABAMA DISPUTE.
 - „ V. THE COMMERCIAL CRISIS OF 1866.
 - „ VI INTERNATIONAL WEIGHTS, MEASURES, AND COINS.
 - „ VII. THE SUEZ CANAL.
 - „ VIII COMMERCIAL AND ECONOMIC PROGRESS, 1860-1870.
 - „ IX. REVIVAL AND DEPRESSION OF TRADE.
 - „ X. WORK AND WAGES.
 - „ XI. COMPARATIVE PROGRESS OF COMMERCIAL NATIONS.
 - „ XII. COMMERCIAL RELATIONS WITH FOREIGN COUNTRIES.
 - „ XIII. STATE OF BRITISH INDUSTRY.
 - „ XIV. STATE OF BRITISH COMMERCE.
 - „ XV. COMMERCIAL AND ECONOMIC PROGRESS, 1870-1878
 - „ XVI. INCREASE OF WEALTH.

CHAPTER I.

TREATIES OF COMMERCE.

The Budget of 1860.—Economic Policy of France.—The Emperor's Letter.—Negotiations for a Treaty of Commerce.—Conclusion of the Treaty.—Reception of the Treaty in England.—Reception of the Treaty in France.—More Treaties of Commerce.—Commercial Treaties with Belgium, the Zollverein, Italy and Austria.—Negotiations with Spain and Portugal.—Results of the Treaties of Commerce.—Reduction of Tariffs.—Progress of Free Trade.—Effect of Free Trade on Shipping.—Local Charges on Shipping.—Tax on Shipping passing Elsinore.—Effect of the Sound Dues.—The Stade Dues.—Discriminating Dues.—Appendix, Text of Treaty of Commerce.—Comparative Foreign Tariffs in 1854, 1859, and 1879.

THE budget of 1860 was a remarkable one. It abolished the paper duty, so long the object of popular animadversion; it swept away the duties on manufactured articles, silk manufacture included—the last anchor of protection; it removed from the customs tariff many hundred articles;¹ it reduced the wine duties; it reimposed the income tax; and, above all, it inaugurated a new treaty of commerce with France. Hitherto our trade with France had been comparatively small, and France consumed only small quantities of British produce and manufactures. Railways, steam-packets, and telegraphs brought us closer to one another. The universal exhibition had shown how varied were our respective productions, and how useful we might be to each other, yet a custom barrier kept us asunder. Any remission made in this country of duties on French produce met with little or no response from our neighbours. While we opened our ports, and left our manufacturers and producers exposed to an unlimited competition, while we repealed every restriction in our navigation laws, and threw open to foreign vessels our direct and indirect trade, our colonial, and even our coasting trade, France persisted in a policy of prohibitions; she adhered to the old principles of protection; she excluded from her markets our chief manufactures; and, at the very time when she was reaping the fruits of a policy of freedom, which she did not understand, her parliament and her press were casting upon us the severest invectives and the most wanton abuse.

¹ In the British Customs tariff in 1840 there were 1,046 articles, and subdivision of articles, charged with distinct rates. In 1859 the number was 397, and in May 1875, only 53. Nevertheless, the gross customs revenue in the year ending March 31, 1879, was 20,316,000*l*.

The economic policy of France had long been of a most erroneous character. Her manufacturers and her miners entrenched themselves behind a wall of protection and prohibitions. Colbert, wise reformer though we acknowledge him to have been, was compelled to leave the tariff nearly as entangled as he found it. Turgot, who abolished the exclusive rights of corporations and established internal free trade in corn, was not sufficiently long in power to effect any substantial and permanent reform in the commercial policy of the country. And when, after the close of the American war, Lord Auckland and M. de Rayneval concluded the famous treaty of commerce and navigation, which so distinguished the ministry of Mr. Pitt, the French manufacturers rose up in arms, and the common cry of 'Treason' echoed from every manufacturing district. By the war which followed the French Revolution, all treaties were, of course, cancelled. Other principles governed the counsels of the Constituent Assembly and of the Convention than goodwill towards England or sound commercial legislation for France herself; and though at the restoration an attempt was made to remove some prohibitions, the manufacturers offered a successful resistance to all reforms, and nothing could be done. Their pretensions were very high. It was not as a concession but as a right that they claimed to have an exclusive control of the markets in France; and with a weak government they had no difficulty in obtaining the tariff of 1826,² by which the crowning point of the protective system was reached. The revolution of 1830 had no effect on the economic policy of the country, notwithstanding some slender efforts in that direction made by Thiers and Duchâtel; and for nearly thirty years France was allowed to continue undisturbed under the soothing but destructive policy of protection.

Excepting some isolated reforms, it was not till 1856 that the first announcement appeared in the 'Moniteur' that the moment had arrived when the customs prohibitions might safely be replaced by protective duties, and when a serious inquiry should be instituted into the whole question. This was followed by the lowering of the duties on machinery, the withdrawal of prohibitions from many articles of import, and the imposition of duties in their stead. In 1857 the greater portion of the export duties was abolished. On January 15, 1860, however, a letter was published from

² An ordinance issued on February 8, 1826, prohibited the importation for consumption in France of merchandise, the produce of Asia, Africa, and America, laden in English warehouses, and also prohibited the importation, under the British flag, of European produce except from ports of the United Kingdom or of its possessions in Europe. These restrictive measures were introduced into the custom system of France in return for corresponding measures which in virtue of the Navigation Act of 1666 existed in the Maritime Code of England. The navigation law of England having been relaxed, the French Government, on May 10, 1854, declared the above restrictions repealed.

the Emperor Napoleon, addressed to the Minister of State, which foreshadowed the adoption of a more liberal commercial legislation. 'For a long time past,' said his Majesty, 'the truth has been established that we must multiply the means of exchange to render commerce prosperous; that without competition industry remains stationary, and prices remain too high to stimulate consumption; and that without a prosperous industry, which increases capital, agriculture itself remains in its infancy.' And what was to be done? 'Abolish the duties on cotton and wool, reduce the duties on sugar and coffee, improve the means of communication, diminish the duties on canals, and thus lighten the means of transport, grant loans for agriculture and industry, do away with all prohibitions, and enter into treaties of commerce.' This was the Emperor's programme; and since, with an absolute government as his was at this time, to will was to do, he applied himself immediately to carry his policy into effect.

On December 2, 1859, Earl Cowley, the British ambassador in Paris, communicated to Lord John Russell that confidential correspondence had been going on for some time between Mr. Cobden and M. Rouher, with a view to the suppression of the prohibitive system of commerce which had so long prevailed in France with respect to certain articles of British industry; a modification of the tariff respecting certain other articles; and the admission into the United Kingdom of various articles of French manufacture free of duty; that Mr. Cobden had expressed an opinion that her Majesty's Government might not be unwilling to conclude a commercial treaty with the French Government; that informal negotiations had already been initiated by the Emperor, but that, before submitting any proposal to the Council of Ministers, he desired to know the views of her Majesty's Government. In answer to this communication Lord John Russell wrote to Earl Cowley that Mr. Cobden and himself were formally appointed plenipotentiaries to negotiate such a treaty. And in doing so, Lord John Russell stated that her Majesty's Government were of opinion that although the activity of trade and the constant demand for labour in this country were such as to leave no pressing necessity for opportunities of extension, yet the enlargement of commercial relations, always in itself desirable, ought to be more peculiarly an object of desire in the case of two countries prepared for such intercourse, like France and Great Britain, by local proximity, combined with considerable diversities of climate, productions, and industry; that, over and above these considerations, her Majesty's Government attached a high social and political value to the conclusion of a commercial treaty with France; that its general tendency would be to lay broad and deep foundations in common interests, and in friendly intercourse, for the confirmation of the amicable relations that so happily existed between the two countries; and that while

thus making a provision for the future, which would progressively become more and more solid and efficacious, its significance at a time when the condition of some parts of the Continent was critical, would be at once understood, and would powerfully reassure the public mind in the various countries of Europe.

In a very short time the treaty was concluded, and on January 23, 1860, it was signed by Earl Cowley and Richard Cobden for England, and by MM. V. Baroche and F. Rouher for France. The principal conditions of the treaty were that France should remove all prohibitions from her tariff, and reduce the duties on a number of articles of British produce and manufacture imported into France to a maximum rate of 30 per cent. *ad valorem* at once, and of 25 per cent. by October 1, 1864, such duties to be converted into specific duties by a supplementary convention. That England should abolish the duty on a number of articles the production and manufacture of France, and should reduce the duties on wine and foreign spirits, and that both parties should engage not to prohibit the exportation of coals. The treaty was to last for ten years from the date of the ratification, February 4, 1860.

To the conclusion of such a treaty grave objections were urged. Many there were in this country who doubted the expediency of entering into any treaty on matters affecting internal legislation. When Sir Robert Peel brought forward his measures of commercial reform he acted independently and sought for no equivalent from any country. And why should France demand concessions from England now for the minimum of freedom she was about to introduce into her tariff? It cannot be said that the free trade measures introduced in England by Sir Robert Peel and Lord John Russell had not induced other nations to modify their commercial legislation. The statement of the rates of duties on Textile manufactures appended to this chapter shows that many prohibitions had been removed, and that the duties of imports had been already much reduced. Yet much remained to be done, and it was doubtless of immense advantage to England to procure by any means the opening of the French market to British produce and manufacture. If the reduction of duties contemplated by the treaty was not so great as might have been wished, there was reason to hope that once France fairly entered into a free-trade policy she would see it her interest to proceed further and further in the way of freedom.

To France the treaty opened a future full of promise, and we need not wonder if the reporters on the same to the emperor gave utterance to the brightest anticipations.³ Nor was the advantage

³ A nos yeux, et les modifications du tarif anglais et la réforme de notre législation douanière convergent au même but, préparent à un égal degré de nouveaux éléments de prospérité publique pour les deux pays. Cette lutte paci-

of the French treaty confined to the principal parties, for whatever advantage was thereby granted, other countries were sure to participate under the usual clauses of the ordinary treaties of commerce enabling them to be placed in the position of the most favoured nations. Indeed it was not long before treaties of a liberal character were concluded between France and the principal countries of Europe, especially with Belgium on May 1, 1861, with the Zollverein on August 2, 1862, with Italy in 1863, with Switzerland in 1864. And it was something to have established that treaties of commerce are no longer to be negotiated with a view to secure any special advantage for ourselves to the injury of any other states, but to provide for the extension of commercial freedom all over the world.

The treaty of commerce with France doubtless inaugurated a new era in the commercial policy of many Continental states, and with great felicity of language Mr. Gladstone expatiated on its advantages when he said: 'There were times, now long gone by, when sovereigns made progress through the land, and when at the proclamation of their heralds they caused to be scattered heaps of coin among the people who thronged upon their steps. That may have been a goodly spectacle, but it is also a goodly spectacle,

fique n'amènera ni victoires ni défaites, mais produira de louables émulations, des enseignements mutuels, des perfectionnements réciproques. Inspirées par les sentiments de justice et de bienveillance mutuelle qui animent les Gouvernements respectifs, ces conventions assureront le règlement équitable et le développement des relations entre les deux États et consolideront l'alliance des deux peuples.

Le commerce, qui selon le langage de Mothen 'tend à faire des productions de chaque partie du globe une propriété commune à tous les peuples, qui a fait de l'Europe une grande famille, et qui, à côté des passions qui divisent les princes a placé le contre-poids des besoins mutuels et des intérêts réciproques,' poursuivra, libre d'entraves surannées, son œuvre de développement et de fécondation de la richesse des deux nations.

L'industrie devra sans doute renouveler sur quelques points un outillage arriéré, remplacer les mécanismes incomplets et rechercher par de sérieux efforts la possibilité de produire économiquement; mais le succès récompensera largement de tels sacrifices, et la production française sortira plus vigoureuse et plus florissante de ces épreuves salutaires.

Toutes ces prospérités profiteront directement à ces populations nombreuses dont Votre Majesté a étudié avec tant d'ardeur les intérêts et les besoins, et qu'elle environne de ses constantes sollicitudes. Elles se traduiront pour l'ouvrier en allègement dans les fatigues de sa tâche, en régularité sinon en élévation de son salaire, en diminution de prix pour tous les objets qu'il consomme et que son travail doit procurer à sa famille.

La constitution économique du pays, grâce au développement des forces inanimées, sera moins troublée que dans le passé par cette sorte de déclassement de population que l'industrie opère au préjudice de l'agriculture, et l'équilibre violemment rompu depuis quelques années tendra à se rétablir.

En même temps Votre Majesté fera exécuter les travaux nécessaires à la force et à la prospérité d'un grand État, et avant peu ses témoignages de reconnaissance, qui de tous nos grands ports de mer, de nos provinces vinicoles, du sein des industries de Lyon, de Saint-Étienne et d'autres grandes cités manufacturières, sont arrivés au pied du trône, ne rencontreront dans le pays éclairé sur ses véritables intérêts, parmi les chefs d'industrie résolus à la lutte, ni résistance ni refus d'adhésion.

and one adapted to the altered spirit and circumstances of our times, when our sovereign is enabled through the wisdom of her great council assembled in parliament around her again to scatter blessings among her subjects by means of wise and prudent laws, of laws which do not sap in any respect the foundations of duty or of manhood, but which strike away the shackles from the arms of industry, which give new incentives and new rewards to toil, and which win more and more for the throne and for the institutions of the country the gratitude, the confidence, and the love of a united people.'

Soon after the conclusion of the French Treaty negotiations were opened by Her Majesty's Government with other countries to the same effect. Belgium was for a considerable time the very stronghold of protection, and in 1844 a tariff was established there, which imposed a complicated scale of differential duties, varying according to the origin and mode of transport of each article. And to make the confusion still greater, she concluded commercial treaties with several nations, establishing differential duties of the most complicated character. In 1849 the first reform was introduced in the tariff by repealing the greater number of export duties, and establishing freedom of transit. In 1850 moderate fixed duties were substituted for the sliding scale on corn. In 1852 certain preferential duties were abolished, and in 1853 all the remaining export duties were repealed. A project of tariff reform was brought in by the Government in 1854, but it was lost in consequence of a change of ministry. In 1856 all the differential duties were abolished, and in 1857 the raw materials were allowed to be imported duty free. Inasmuch, however, as by the treaty of commerce concluded in 1861 between Belgium and France, considerable reductions were made in the Belgian tariff in favour of France, Her Majesty's Government found it necessary, in 1862, to conclude a similar treaty, by which the regulations established for goods imported from France into Belgium were applied to similar goods imported from Great Britain and its possessions; each of the two powers engaged to extend to the other any favour or privilege, or reduction in the tariff of duties of importation or exportation, on articles mentioned or not mentioned in the treaty, which either of them might grant to any third power, and agreed that neither should establish against the other any duty or prohibition of importation or exportation, which should not, at the same time, be applicable to all other nations. This treaty was to continue in force for ten years, dating the tenth day after the exchange of ratifications.

With the Zollverein a treaty of commerce was concluded on May 30, 1865, by which among other things it was stipulated that any favour, privilege, or reduction in the tariff of duties of

importation or exportation which either of the contracting parties may concede to any third power, should be extended immediately and unconditionally to the other; and that no prohibition of importation or exportation should be established by either of them against the other which should not at the same time be applicable to all other nations, and the contracting parties further engaged not to prohibit the exportation of coal, and to levy no duty upon such exportation.

With Italy a treaty of commerce was concluded on August 6, 1863, ratified October 29, containing similar conditions of reciprocity.

And with Austria a treaty was concluded on December 16, 1865, providing that the Austrian customs tariff should be so regulated that the duty to be levied upon articles, the produce or manufacture of the dominions of her Britannic Majesty, upon their importation into the Austrian States, should, from January 1, 1867, not exceed 25 per cent. of the value, with the addition of the cost of transport, insurance and commission, necessary for the importation into Austria as far as the Austrian customs frontiers. And that from and after January 1, 1870, the maximum of these duties should not exceed 20 per cent. of the value with the additions above defined. On December 30, 1869, another convention of commerce was concluded with Austria by which she engaged that during the continuance of the convention British produce and manufactures should be admitted into Austria at the rates specified in the tariff annexed to the treaty.

Negotiations were also opened with Spain and Portugal for the conclusion of similar treaties of commerce with them, and it was the more needful to procure thereby a revision of their tariffs, because these countries were, in consequence of their treaties of commerce with France, practically charging differential duties on British goods. But Spain and Portugal consented to lower their duties on British goods only on condition of Her Majesty's Government consenting to lower the duty on Spanish and Portuguese wine above 26 degrees of strength to one shilling per gallon. This Her Majesty's Government refused to do lest it should injure the revenue in spirits, and consequently further negotiations were suspended.

In connection with the treaties of commerce, we may advantageously advert to the removal of other restrictions to trade and navigation which became the subject of diplomatic negotiation and settlement. The abolition of the navigation laws and the opening of the coasting trade to the unrestricted competition of all nations rendered British shipowners more than ever interested in the removal of many burdens which were pressing on shipping property both at home and abroad. The provisions of the Passengers Act, the liabilities imposed by the Merchant Shipping Act,

the burden of passing tolls, and the unequal and onerous charges for lighthouses and pilotage in various parts of the kingdom, accompanied by the want of reciprocity on the part of foreign countries in imposing differential duties, and shutting up their colonial and coasting trade, placed British shipowners in a position of disadvantage in relation to shipowners of foreign countries, and they reasonably demanded a full and impartial inquiry.

The local charges on shipping were of a very varied character and were levied in the ports and harbours of the whole kingdom. In many cases the right to levy these charges either depended on local acts, or if claimed originally on a common law title, that title had been confirmed by local acts, but in very many cases the title depended on common law entirely. The charges consisted of petty customs, or charges levied in respect of anchorage, keelage, or charges levied on goods in the nature of cranage, lastage, wharfage, or other kindred dues. In some cases these vexatious imposts were especially oppressive, since, whilst British ships were exposed to all the annoyance, foreign ships were in many cases exempt under the Reciprocity Treaty clauses.⁴ An inquiry having been instituted on the subject by a Royal Commission in 1854 the report recommended that a single body of conservators be constituted for each public harbour, that all dues both on ships and on goods levied within its limits be transferred to such conservators, that the tariffs be revised, that all exclusive privileges within public harbours be abolished, that the passing tolls be abolished, and that all payments from the public funds under the Reciprocity Treaties should cease. And accordingly an act⁵ was passed which abolished such passing tolls and liberated British ships from many of the most oppressive charges, especially those in return for which no benefit was received.

Burdens, however, of a similar character existed abroad which demanded the intervention of diplomacy. For many centuries the crown of Denmark assumed the right to levy tolls on ships and merchandise passing between the German Ocean and the Baltic Sea, and duties equivalent to the same on goods passing overland between the North Sea and the Baltic. When and how this right originated it is not easy to find out; but, whether by the law of might or of right, the Danes, who were proprietors of both sides of the channel, did levy such duties, and ships passing the Sound had no choice but to pay. The first treaty in which the right of Denmark to levy these dues was assumed or acknowledged was the treaty of Spire, concluded with Holland in 1544, in which a distinction was introduced between privileged and unprivileged nations. Unprivileged nations, such as England, France, Portugal, and Russia, had to pay dues amounting to about one per cent. *ad valorem*.

⁴ 59 Geo. III. c. 54; 1 & 2 Vict. c. 113; and 14 & 15 Vict. c. 47.

⁵ 24 & 25 Vict. c. 47.

Privileged nations had to pay only nominal duties. Other treaties followed, and in 1814 the Sound dues were recognised throughout Europe. The Congress of Vienna did not interfere with them, and in 1841 England concluded a treaty with Denmark, which established a regular tariff on the subject, based on that of Christianople of 1645.

But, whether politically recognised or not, such dues were a great burden on navigation and a heavy charge on British shipping. The detention of vessels at Elsinore was a fertile source of mischief. No one could see, as far as the cargoes were concerned, what good it did to anyone. And the obstruction was ill consented to by the states interested in the navigation of the Sound. Such being the case, the United States, though unwilling to recognise the right of Denmark, were the first to make a proposition to pay to Denmark a fair indemnity for the abolition of the dues, upon the supposition that they had been levied for lights and other purposes essential to navigation. And under these circumstances a committee of the House of Commons was appointed on the subject. Denmark, having meanwhile offered to accept, at once, a sum representing the capital value of the payments annually made on account of Sound dues, the committee reported that such proposal should become the foundation of a final and satisfactory settlement of the question. And accordingly, negotiations were opened, which resulted in the conclusion of a treaty, dated March 14, 1857, the principal stipulations of which were as follows: 1. That no more duties should be imposed, nor any charge whatever made, either in regard to vessel or cargo, upon ships sailing from the North Sea to the Baltic, or *vice versâ*, in passing through the Belts or the Sound; 2. That Denmark should preserve and maintain in the best style all the lights and lighthouses actually existing, either at the entrance or into the approaches to the harbour, roads, rivers, or canals, or along her coasts, as well as the buoys, beacons, and sea-marks actually existing, and serving to facilitate navigation in the Kattegat, the Sound, and the Belts; superintend the service of pilotage; permit, without any restriction, any private individual, Dane or foreigner, to establish and to station in the Sound or in the Belts freely, and on the same conditions, tugs serving exclusively for the towing of vessels; extend to all the roads or canals which connect the North Sea and the Elbe with the Baltic, the exemption from dues which was accorded in some of those lines of communication to the national or foreign goods; reduce the duties on all the said roads or canals to a uniform rate; and 3. That the different powers interested should pay to the King of Denmark, as compensation for the sacrifices imposed upon him, the sum of 30,476,000 rigsdollars, of which 16,126,855 rigsdollars, equivalent to 1,125,206*l.* fell upon Great Britain.

Of a similar character to the Sound dues were the Stade dues,

levied by Hanover on merchandise and shipping ascending the river Elbe. About 40 miles from the mouth of the Elbe and 23 miles from Hamburg, just at the confluence of the river and the smaller stream of the Schwinge, is the little town of Stade, and at this point every ship of every country, with the exception of those of Hamburg and Hanover, was called upon to interrupt her voyage, and was compelled to exhibit her papers to the Hanoverian functionary. On her arrival at Hamburg a Hanoverian commissioner made his appearance and proceeded to charge duty on the goods forming the cargo, and not until all demands were satisfied was the ship permitted to break bulk, and the cargo allowed to be discharged. The history of this toll is an interesting one. The toll seems to have originated in 1308 in a grant by Conrad II., German emperor, to the then archbishop of Hamburg and Bremen, to ensure the safety of his soul; the archbishop being permitted to levy *telonium*, or custom, in a market place called Stade. At first it was but a market toll, but afterwards it was converted into a passage duty. The archbishopric of Bremen having been secularised, the toll was transferred to Sweden at the peace of Westphalia, in satisfaction for all her expenses in connection with the Thirty Years' War. Subsequently Denmark conquered the duchies of Bremen and Wisden from Sweden, and she levied the tolls. In 1715, George I. purchased the toll for 300,000 dollars, and in 1719 he formally ceded the same to Hanover. Whatever right, therefore, the King of Sweden had legally acquired over the Stade dues, was legally transferred to the King of Great Britain as Elector of Brunswick Luneberg. And thus it stood when, at the Congress of Vienna in 1815, it was decided that the navigation of all navigable rivers should be free.⁶ But Hanover asserted that this was a maritime and not a river tax, and so it escaped. In 1842 a committee of mediation was proposed between Hanover on the one side, and Hamburg and Denmark on the other; and in 1844 a treaty was concluded by which the dues were recognised by England, at least for a limited period. Nothing was done after that till 1858,

⁶ Les Puissances dont les États sont séparés ou traversés par une même rivière navigable s'engagent à régler d'un commun accord tout ce qui a rapport à la navigation de cette rivière. Elles nommeront à cet effet des commissaires qui se réuniront au plus tard six mois après la fin du congrès, et qui prendront pour bases de leurs travaux les principes.

109 La navigation dans tout le cours des rivières indiquées dans l'article précédent, du point où chacune d'elles devient navigable jusqu'à son embouchure, sera entièrement libre et ne pourra sous le rapport de commerce être interdite à personne, bien entendu que l'on se conformera aux règlements relatifs à la police de cette navigation, lesquels seront conçus d'une manière uniforme pour tous et aussi favorables que possible au commerce de toutes les nations.

110. Le système qui sera établi tant pour la perception des droits que pour le maintien de la police, autant que faire se pourra, sera le même pour tout le cours de la rivière, et s'étendra aussi, à moins que des circonstances particulières ne s'y opposent, sur ceux de ses embranchements et confluent qui dans leur cours navigable séparent ou traversent différents États.

when a committee of the House of Commons was appointed to inquire into the subject, and upon the report of that committee to the effect that it was expedient to give notice to terminate the treaty of 1844 negotiations were opened for the redemption of the tolls, and this was effected by the payment on the part of England of 155,000*l.* as her share.

Of far greater range than even any of the dues we have yet mentioned were the restrictions on navigation, and the discriminating duties imposed by foreign countries against British ships long after we abolished all restrictions against theirs. When the navigation law repeal bill was first introduced by Mr. Labouchere, it proposed also the opening of the coasting trade, but objections were urged to that, and the clauses were withdrawn. In 1854, however, the restriction was abandoned, with the reserve only that, 'if it shall be made to appear to Her Majesty that British vessels are subject in any foreign country to any prohibitions or restrictions as to the voyages in which they may engage, or as to the articles which they may import into or export from such country, it shall be lawful for Her Majesty (if she think fit), by order in council, to impose such prohibitions or restrictions upon the ships of such foreign country, either as to the voyages in which they may engage, or as to the articles which they may import into or export from any part of the United Kingdom or of any British possession in any part of the world, as Her Majesty may think fit, so as to place the ships of such country on as nearly as possible the same footing in British ports as that on which British ships are placed in the ports of such country.'⁷ But this clause was never acted upon. And though many countries, especially Spain, France, Portugal, Holland, Belgium, Sweden, and the United States of America, maintained for some time their restrictions on British navigation, no step whatever was taken by England against them. There appeared, certainly, a marked injustice in the fact that whilst American ships could freely trade on the coast of the United Kingdom, and even on the coasts of British India, Ceylon, and Victoria, the United States of America not only shut out British vessels from the carrying of goods in the vast coasting trade of their Atlantic and Pacific seaboard, but denied to British ships running between New York and Aspinwall, and between Panama and San Francisco, the privileges enjoyed by the American national flag. But after all, the loss produced by these illiberal measures on the part of foreign countries on British shipping was not to be compared to the loss which thereby resulted to themselves. Whilst British shipping prospered and increased, American shipping suffered and declined.

⁷ 12 & 13 Vict. c. 29; 16 & 17 Vict. c. 107.

APPENDIX A.

Treaty of Commerce between Her Majesty and the Emperor of the French, signed at Paris, January 23, 1860.

[Ratifications exchanged at Paris, February 4, 1860.]

Article I.—His Majesty the Emperor of the French engages that on the following articles of British production and manufacture, imported from the United Kingdom into France, the duties shall in no case exceed thirty per cent *ad valorem*, the two additional decimes included.

The articles are as follows:—

Refined sugar;
Turmeric in powder;
Rock crystal worked;
Iron forged in lumps or prisms;
Brass wire (copper alloyed with zinc),
polished or unpolished, of every description,
Chemical productions, enumerated or non-enumerated;
Extracts of dye-woods;
Garancine;
Common soap of every description, and perfumed soap,
Stoneware and earthenware, fine and common;
China and porcelain-ware;
Glass, crystal mirrors, and plate glass,
Cotton yarn;
Worsted and woollen yarn of every description,
Yarns of flax and hemp;
Yarns of hair, enumerated or non-enumerated,
Cotton manufactures;
Horsehair manufactures, enumerated or non-enumerated;
Worsted and woollen manufactures, enumerated or non-enumerated;
Cloth list;
Manufactures of hair;
Silk manufactures,
Manufactures of waste and floss-silk;
Manufactures of bark and all other vegetable fibres, enumerated or non-enumerated;
Manufactures of flax and hemp,
Mixed manufactures of every description;

Hosiery;
Haberdashery and smallwares;
Manufactures of caoutchouc and gutta-percha, pure or mixed;
Articles of clothing, wholly or in part made up,
Prepared skins;
Articles of every sort, manufactured from leather or skins, included or not under the denomination of smallwares, fine or common;
Plated articles of every description;
Cutlery;
Metal wares, whether enumerated or not;
Pig and cast-iron of every description, without distinction of weight,
Bar and wrought-iron, with the exception of the kinds specified in Article XVII;
Steel;
Machinery, tools, and mechanical instruments of every description;
Carriages on springs, lined and painted;
Cabinet ware, carved work, and turnery of every description; worked ivory and wood;
Brandies and spirits, including those not distilled from wine, cherries, molasses, or rice;
Ships and boats;
With respect to refined sugar and chemical productions of which salt is the basis, the excise or inland duties shall be added to the amount of the above specified duties.

Article II—His Imperial Majesty engages to reduce the import duties in France on British coal and coke, to the amount of fifteen centimes for the hundred kilogrammes, with the addition of the two decimes.

His Majesty the Emperor also engages, within four years from the date of the ratification of the present Treaty, to establish upon the

importation of coal and coke by land and by sea, a uniform duty, which shall not exceed that which is fixed by the preceding paragraph.

Article III.—It is understood that the rates of duty mentioned in the preceding Articles are independent of the differential duties in favour of French shipping, with which duties they shall not interfere.

Article IV.—The duties *ad valorem* stipulated in the present Treaty shall be calculated on the value at the place of production or fabrication of the object imported, with the addition of the cost of transport, insurance and commission, necessary for the importation into France as far as the port of discharge.

For the levying of these duties, the importer shall make a written declaration at the Custom-house, stating the value and description of the goods imported. If the Custom-house authorities shall be of opinion that the declared value is insufficient, they shall be at liberty to take the goods on paying to the importer the price declared, with an addition of five per cent.

This payment, together with the restitution of any duty which may have been levied upon such goods, shall be made within the fifteen days following the declaration.

Article V.—Her Britannic Majesty engages to recommend to Parliament to enable her to abolish the duties of importation on the following articles :—

Sulphuric acid, and other mineral acids ;
Agates and cornelians, set ;
Lucifers of every description ;
Percussion caps ;
Arms of every description ;
Jewels, set ;
Toys ;
Corks ;
Brocade of gold and silver ;
Embroideries and needlework of every description ,
Brass and bronze manufactures, and bronzed metal ;
Canes, walking-canes or sticks, umbrella or parasol-sticks, mounted, painted, or otherwise ornamented ;
Hats, of whatever substance they may be made ;
Gloves, stockings, socks, and other articles of cotton or linen, wholly or in part made up ;
Leather manufactures ;
Lace manufactured of cotton, wool, silk, or linen ;
Manufactures of iron and steel ;
Machinery and mechanical instruments ; tools, and other instruments ,
Cutlery, and other articles of steel, iron, or cast-iron ;
Fancy ornaments of steel and iron ;
Articles covered with copper by galvanic process ;
Millinery and artificial flowers ;
Raw fruits ;
Gloves, and other leather articles of clothing ;

Manufactures of caoutchouc and gutta-percha ;
Oils ;
Musical instruments ;
Worsted and woollen shawls, plain, printed, or patterned ;
Coverlids, woollen gloves, and other worsted and woollen manufactures not enumerated ;
Handkerchiefs, and other manufactures not enumerated, of linen and hemp ;
Perfumery ; cabinet ware, carved work, and turnery of every description ,
Clocks, watches, and opera glasses ;
Manufactures of lead, enumerated or not enumerated ;
Feathers, dressed or not ;
Goat's and other hair manufactures ;
China and porcelain ware ;
Stone and earthenware ;
Grapes ;
Sulphate of quinine ;
Salts of morphine ;
Manufactures of silk, or of silk mixed with any other materials, of whatever description they may be ;
Articles not enumerated in the Tariff, now paying an *ad valorem* duty of ten per cent., subject, however, to such measures of precaution as the protection of the public revenue may require, against the introduction of materials liable to Custom or Excise duties in the composition of articles admitted duty free in virtue of the present paragraph.

Article VI—Her Britannic Majesty engages also to propose to Parliament that the duties on the importation of French wine be at once reduced to a rate not exceeding three shillings a gallon, and that from the 1st of April, 1861, the duties on importation shall be regulated as follows:—

1. On wine containing less than fifteen degrees of proof spirit verified by Sykes's barometer, the duty shall not exceed one shilling a gallon.

2. On wine containing from fifteen to twenty-six degrees, the duty shall not exceed one shilling and sixpence a gallon.

3. On wine containing from twenty-six to forty degrees, the duty shall not exceed two shillings a gallon.

4. On wine in bottles, the duty shall not exceed two shillings a gallon.

5. Wine shall not be imported at any other ports than those which shall be named for that purpose before the present Treaty shall come into force; Her Britannic Majesty reserving to herself the right of substituting other ports for those which shall have been originally named, or of increasing the number of them.

The duty fixed upon the importation of wine at ports other than those named, shall be two shillings a gallon.

6. Her Britannic Majesty reserves to herself the power, notwithstanding the provisions of this Article, to fix the maximum amount of proof spirit which may be contained in liquor declared as wine, without, however, the maximum being lower than thirty-seven degrees.

Article VII—Her Britannic Majesty promises to recommend to Parliament to admit into the United Kingdom merchandise imported from France, at a rate of duty equal to the excise duty which is or shall be imposed upon articles of the same description in the United Kingdom. At the same time the duty chargeable upon the importation of such merchandise may be augmented by such a sum as shall be an equivalent for the expenses which the system of excise may entail upon the British producer.

Article VIII.—In accordance with the preceding Article, Her Britannic Majesty undertakes to recommend to Parliament the admission into the United Kingdom of brandies and spirits imported from France, at a duty exactly equal to the excise duty levied upon home-made spirits, with the addition of a surtax of twopence a gallon, which will make the actual duty payable on French brandies and spirits eight shillings and twopence the gallon.

Her Britannic Majesty also undertakes to recommend to Parliament the admission of rum and tafia imported from the French Colonies, at the same duty which is or shall be levied on these same articles imported from the British Colonies.

Her Britannic Majesty undertakes to recommend to Parliament the admission of paper-hangings imported from France, at a duty equal to the excise tax, that is to say, at fourteen shillings per hundredweight; and cardboard of the same origin, at a duty which shall not exceed fifteen shillings per hundredweight.

Her Britannic Majesty further undertakes to recommend to Parliament the admission of gold and silver plate imported from France,

at a duty equal to the stamp or excise duty which is charged on British gold and silver plate.

Article IX.—It is understood between the two High Contracting Powers, that if one of them thinks it necessary to establish an excise tax or inland duty upon any article of home production or manufacture which is comprised among the preceding enumerated articles, the foreign imported article of the same description may be immediately liable to an equivalent duty on importation.

It is equally understood between the High Contracting Powers, that in case the British Government should deem it necessary to increase the excise duties levied upon home-made spirits, the duties on the importation of wines may be modified in the following manner :—

For every increase of a shilling per gallon of spirits on the excise duty, there may be, on wines which pay one shilling and sixpence duty, an augmentation not exceeding one penny halfpenny per gallon ; and on wines which pay two shillings, an augmentation not exceeding two-pence halfpenny per gallon.

Article X.—The two High Contracting Parties reserve to themselves the power of levying upon all articles mentioned in the present Treaty, or upon any other article, landing or shipping dues, in order to pay the expenses of all necessary establishments at the ports of importation and exportation.

But in all that relates to local treatment, the dues and charges in the ports, basins, docks, roadsteads, harbours, and rivers of the two countries, the privileges, favours, or advantages which are or shall be granted to national vessels generally, or to the goods imported or exported in them, shall be equally granted to the vessels of the other country, and to the goods imported or exported in them.

Article XI.—The two High Contracting Powers engage not to prohibit the exportation of coal, and to levy no duty upon such exportation.

Article XII.—The subjects of one of the two High Contracting Powers shall, in the dominions of the other, enjoy the same protection as native subjects in regard to the rights of property in trade-marks and in patterns of every description.

Article XIII.—The *ad valorem* duties established within the limits fixed by the preceding Articles shall be converted into specific duties by a Supplementary Convention, which shall be concluded before the 1st of July, 1860. The medium prices during the six months preceding the date of the present Treaty shall be taken as the basis for this conversion.

Duties shall, however, be levied in conformity with the bases above established—

1. In the event of this Supplementary Convention not having come into force before the expiration of the period fixed for the execution by France of the present Treaty ;

2. Upon those articles the specific duties of which shall not have been settled by common consent.

Article XIV.—The present Treaty shall be binding for the United Kingdom of Great Britain and Ireland, so soon as the necessary legislative sanction shall have been given by Parliament, with the reserve made in Article VI. respecting wines.

Further, Her Britannic Majesty reserves to herself the power of retaining, upon special grounds, and by way of exception, during a period not exceeding two years, dating from the 1st of April, 1860, half of the duties on those articles, the free admission of which is stipulated by the present Treaty.

This reserve, however, does not apply to articles of silk manufacture.

Article XV.—The engagements contracted by His Majesty the Emperor of the French shall be fulfilled, and the tariffs previously indicated as payable on British goods and manufactures shall be applied, within the following periods:—

1. For coal and coke, from the 1st July, 1860.
2. For bar and pig iron, and for steel of the kinds which are not subject to prohibition, from the 1st October, 1860.
3. For worked metals, machines, tools, and mechanical instruments of all sorts, within a period which shall not exceed the 31st December, 1860.
4. For yarns and manufactures in flax and hemp, from the 1st June, 1861.

5. And for all other articles from the 1st October, 1861.

Article XVI.—His Majesty the Emperor of the French engages that the *ad valorem* duties payable on the importation into France of merchandise of British production and manufacture shall not exceed a maximum of twenty-five per cent., from the 1st October, 1864.

Article XVII.—It is understood between the two High Contracting Powers, as an element of the conversion of the *ad valorem* duties into specific duties, that for the kinds of bar iron which are at present subjected on importation into France to a duty of ten francs, not including the two additional decimes, the duty shall be seven francs on every hundred kilogrammes until the 1st October, 1864, and six francs from that period, including in both cases the two additional decimes.

Article XVIII.—The arrangements of the present Treaty of Commerce are applicable to Algeria, both for the exportation of her produce, and for the importation of British goods.

Article XIX.—Each of the two High Contracting Powers engages to confer on the other any favour, privilege, or reduction in the tariff of duties of importation on the articles mentioned in the present Treaty which the said Power may concede to any third Power. They further engage not to enforce one against the other any prohibition of importation or exportation which shall not at the same time be applicable to all other nations.

Article XX.—The present Treaty shall not be valid unless Her Britannic Majesty shall be authorised by the assent of Her Parliament to execute the engagements contracted by Her in the Articles of the present Treaty.

Article XXI.—The present Treaty shall remain in force for the space of ten years, to date from the day of the exchange of ratifications; and in case neither of the High Contracting Powers shall have notified to the other, twelve months before the expiration of the said period of ten years, the intention to put an end to its operation, the Treaty shall continue in force for another year, and so on from year to year, until the expiration of a year, counting from the day on which

one or other of the High Contracting Powers shall have announced its intention to put an end to it.

The High Contracting Powers reserve to themselves the right to introduce by common consent into this Treaty any modification which is not opposed to its spirit and principles, and the utility of which shall have been shown by experience.

Article XXII.—The present Treaty shall be ratified, and the ratifications shall be exchanged at Paris within the period of fifteen days, or sooner if possible.

In faith whereof, the respective Plenipotentiaries have signed it, and affixed thereto the seal of their arms.

Done in duplicate at Paris, the twenty-third day of January, in the year of our Lord one thousand eight hundred and sixty.

(L.S.) COWLEY.
(L.S.) RICHARD COBDEN.
(L.S.) V. BAROCHE.
(L.S.) F. ROUHER.

APPENDIX B.

FOREIGN TARIFFS.¹

Countries	Textiles	1854	1859	1879
			Per cwt.	Per cwt.
			£ s. d. £ s. d.	£ s. d. £ s. d.
Austria,	Cotton Mfctrs .	per centner ^a 40/0	4 5 4	1 12 6 to 3 0 11
	Linen " "	" 40/0	4 5 4	0 12 2 " 2 0 8
	Woollen " "	" 100/0	5 6 8	2 0 8 " 4 1 3
Belgium	Cotton Mfctrs unbleached	per 220 lbs 142/8	4 7 10	1 0 4 " 6 1 11
	Linen " "	" 47/8 to 277/1	1 4 5 to 9 9 10	10 per cent <i>ad val.</i>
	Woollen " "	" 197/11	6 1 11	10 per cent. <i>ad val.</i>
	Cotton Tiss. .	prohibited	prohibited	1 0 4 to 6 1 11
France	Linen . .	31/1½ to 32/8	1 9 3 to 11 7 9	0 0 2½ " 6 1 11
		Only allowed to be imported from production countries beyond Europe		
Germany (Zollverein)	Woollen . .	prohibited	prohibited	10 per cent. <i>ad val.</i>
	Cotton . .	per centner 150/0	7 12 5	1 10 6 to 3 19 3
	Linen . .	" 60/0	3 0 11	1 10 6
Holland	Woollen . .	" 150/0	7 12 5	1 10 6 " 3 16 2
	Cotton . .	4 per cent <i>ad val</i>	4 52 per cent. <i>ad val</i>	5 per cent. <i>ad val.</i>
Italy (Sardinia)	Linen . .	1 " "	1 13 " "	5 " "
	Woollen . .	per 220 lbs 50/0	1 8 9 " "	5 " "
Portugal	Cotton . .	per kilo, 4½d	1 15 1	0 18 9
	Linen . .	" 4½d	1 15 1	1 3 6
	Woollen . .	" 1/0½	4 13 6	10 per cent. <i>ad val</i>
Russia	Cotton, up to 14 threads	per lb 2½d	{ Up to 12 threads } 1 3 7 to 1 15 3	1 9 6 to 6 9 5
	Linen . .	" 1/10	5 5 11	5 5 11
	Woollen . .	" 1/10	5 5 11	5 5 11
Spain	Cotton . .	per lb. 1/7½	{ 8 13 5 by sea } 7 11 9 by land	5 10 4 " 9 17 0
	Linen . .	" 10/0	27½ per cent. <i>ad val</i>	12 6 2
	Woollen . .	" 7/4	30 6 10	23 12 11
United States	Cotton . .	1/2½ to 1/5½	7 6 10	5 9 8
	Linen . .	per 100 lbs 68/8½ " 88/4	4 13 8	2 10 10
	Woollen . .	9½d " 11½d	0 0 9½	16 5 2
	Cotton . .	25 per cent <i>ad val.</i>	19 per cent. <i>ad val.</i>	per sq. yard, 2½d.
	Linen . .	20 " "	15 " "	35 per cent. <i>ad val</i>
	Woollen . .	30 " "	24 " "	4 3 4 to 11 13 4 and 35 per cent <i>ad val</i>

¹ For the year 1854, from *Collection of the Customs Tariffs of all Nations*, by E. N. Newdegate, M.P., 1855 or the years 1859 and 1879, from Returns of the rates of duty levied on certain articles imported into the principal European countries and the United States (200) of 1879.

² One centner is equal to 128½ lbs. avoirdupois.

CHAPTER II.

*THE ASSOCIATED CHAMBERS OF COMMERCE AND
COMMERCIAL OPINION.*

Treaties of Commerce.—Trade with India and China.—Banking and Commercial Laws.—Railway, Postal, and Telegraphic Communication.—Income Tax.—Technical Education.—Metric System of Weights and Measures.

THE opinion of commercial men on commercial questions is of considerable value, although it is often only one of the elements to be taken into account in actual legislation. Consequently the transactions of the Associated Chambers of Commerce, whose delegates meet annually to discuss questions bearing on subjects within their particular province, well deserve a place in a History of British Commerce. The first Congress of this Association held in 1860 was attended by representatives of the Chambers of Commerce of Belfast, Birmingham, Bradford, Bristol, Glasgow, Gloucester, Hull, Kendal, Leeds, Liverpool, Norwich, Sheffield, Southampton, the Staffordshire Potteries, Wolverhampton, and Worcester. The other Chambers of Commerce of Coventry have since joined, and the Association has had an annual meeting in the metropolis, and a supplemental meeting in the provinces. The subjects which come under their consideration are partly economical and partly legal, and the following resolutions on the principal subjects passed since the formation of the Association were the result, in most cases, of grave consideration :—

TREATIES OF COMMERCE

That it is expedient to appoint a gentleman fully conversant with the trade and commerce of England, commanding the respect of foreign Courts, and possessing the confidence of the people of England, to co-operate with her Majesty's representatives at Brussels and Berlin, in demanding that England shall be placed upon a footing of perfect equality with the most favoured nations.

That negotiation for a treaty of commerce with Spain and Portugal should be entered into whereby British goods may be introduced into those countries at rates not exceeding those imposed on goods of French and German manufacture; and, if necessary for the accomplishment of this object, that an adjustment be made of the present scale of duties on importation of

wines from those countries, so as to admit Spanish and Portuguese wines at the same rate as French wines.

That while adhering to the principles of free trade, as the only true principles for regulating commercial intercourse between nations, the Association recognises the benefit that has accrued to both France and England from the treaty of commerce of 1860. It therefore concurs in the desirability of renewing the treaty before next March, provided that such renewal necessitates no retrograde movement as to free trade, that no fresh differential duties be imposed—that England be placed upon the most favoured nation terms, and our shipping be replaced upon its former footing; that all matters of difference arising on the renewal of such treaty be settled by mutual arrangement between the two countries, and that the terms of the old treaty remain in force until all such differences are arranged.

That it is most undesirable on the renewal of treaties with foreign countries to rely solely on the most favoured nation clause; but that in every case direct provision should be made for the special resources, industries, and trade of this country. That this Association do urge upon her Majesty's Government to claim from the French and other Governments that in any future treaty of commerce between this and other countries the same privileges be accorded to British manufacture and produce imported into those countries which is enjoyed in the importation into England of the manufacture and produce of France and other countries.

That the Government, in negotiation with the Italian Government on the subject of a new commercial treaty, be urged to place the trade of this country with Italy in a better position than that which it occupies at present, and by all means to prevent duties or charges being imposed upon imports from England without British interests being duly represented and considered in the preliminary investigation.

That whilst fully approving the principles of free trade which have for some time past mainly guided the commercial policy of this country, measures be at once adopted by this Association to enforce upon her Majesty's Government the inadvisability of signing treaties of commerce with those foreign nations which exclude Great Britain from the most favoured nation treatment. That immediate action should be taken, with the object of getting the recently promulgated Spanish tariff modified, at any rate to such an extent as shall place English goods and shipping on the same footing as the goods and shipping of any other nation, as regards import duties.

That inasmuch as the Government has announced the probability of a reciprocity treaty being made, representations by memorial and deputation be made to her Majesty's Government with the view of urging the necessity of stipulations being inserted

in every treaty of commerce and navigation made on behalf of any colony or dependency of Great Britain with foreign powers, that the produce and manufacture of the United Kingdom be not subjected to any higher duties than those laid upon the produce and manufacture of such foreign country. That a committee of the Association be appointed to watch the progress of the negotiations between her Majesty's Government and that of the United States with reference to the reciprocity treaty between the latter and Canada, which committee will serve as a medium of communication between her Majesty's Government and the different Chambers of Commerce whose interests may be affected by that treaty.

That it is desirable that an International and Free Trade Association should be formed, in order to afford those holding free trade opinions in our colonies, the United States of America, and other countries, not only an opportunity of expressing them, but of acting in conjunction with this country, with the view of the more general adoption of free trade.

That the existing organisation of the department of Government is inconvenient and unsatisfactory to the public, and that considering the vast extent and growing importance of the commerce of this country, it is desirable to appoint a Minister of Commerce, whose special function shall be to deal with all questions affecting trade and manufactures.

That this Association deems it desirable to renew the application, and again to urge upon her Majesty's Government the necessity of the interests of trade, commerce, and agriculture being placed in charge of a separate department of the Government, presided over by a Cabinet Minister.

TRADE WITH INDIA AND CHINA.

Being anxious that no opportunity should be lost of facilitating the extension of British commerce, and believing that the vast provinces of Western and Central China present an important field for commercial enterprise, the Association resolved to memorialise the Secretary of State for India in favour of the completion of the survey of the route from Rangoon to Kianghung, on the upper Cambogia River, proposed by Captain Sprye, that route being, in the opinion of this Association, the most direct and practicable, and the least likely to lead to political complications, of the many which have been suggested.

Resolved to memorialise her Majesty's Government, calling their attention to the vast increase in our trade with China which would result from the further opening up of the Yangtze River to steamers, and to the desirability of stipulations for this purpose being inserted in any future treaty or convention with China.

That application be made to the Colonial Department of her

Majesty's Government, expressing that it is highly desirable that the steam communication already existing between England and Madagascar should be extended to India *via* Reunion and Mauritius, and that such extension should be encouraged alike in the interests of trade and humanity, the development of general commerce tending invariably to the supplanting slave traffic.

That the Suez Canal should be placed under an International Commission, and that her Majesty's Government be memorialised, praying them to embrace any opportunity that may arise of carrying this out.

BANKING.

In 1865 a committee was appointed for the purpose of inquiring into the differential rates of discount maintained by the Banks of England and of France respectively during the recent monetary pressure, and still continued; and also of ascertaining whether or not, in its judgment, this difference which injuriously affects British commercial interests is caused in any degree, or aggravated, by the restrictions of the Bank Charter Act of 1844.

In 1866 the committee reported that the fluctuations in the rate of discount charged by the Bank of England are far more numerous and more extreme than in the rates of the Bank of France. That the means employed by the Banks of England and of France respectively to restore or maintain their stock of bullion differ materially. The former uses sparingly a rise in discounts for this purpose. The latter deals more gently with commercial interests, and contrives, somehow or other, to keep in its coffers a much larger average stock of specie, whilst it preserves a lower and more even rate of discount. That the more numerous and excessive fluctuations in discount, and the higher rate to which the British manufacturer is subjected, press heavily upon him in the close competition which he has to encounter from the French manufacturer in the neutral and even in the home markets. That in the judgment of the sub-committee these more frequent changes and higher average in the rate of interest charged by the Bank of England, as compared with the Bank of France, are caused principally by the compulsory provisions of the Bank Charter Act.

In 1867 the Association continued its attention to the operation of the Bank Charter Act, and resolved to petition Parliament in favour of the appointment of a select committee to inquire into the operation and effect of the same during the recent panic.

The Bank Charter question was discussed in 1874, and the Association resolved that, in its opinion, the Bank Charter Act and the laws affecting banks in Scotland and Ireland, also the causes of the fluctuations in the rates of interest and discount and monetary panics, are worthy of the consideration of a royal Commission.

The question of the Bank Charter Act was brought forward

from Aberdeen in 1875, when the Association agreed to petition Government to issue a royal commission to inquire into the working of the Bank Acts, 1844 and 1845, and especially to the reserve of gold kept by the Bank of England now sufficient for this country. Whether it is consistent with sound policy to maintain an Act of Parliament which requires occasional suspension, and if so, to what authority in the State should the power of suspending an Act of Parliament be committed. To inquire why, since 1844 and 1845, the fluctuations in the rate of discount have been many times more numerous, sudden, and extreme than during any previous periods on record in times of comparative peace? To inquire into the constitution and actual management of the Bank of France as compared with the constitution and actual management of the Bank of England.

COMMERCIAL LAWS.

That the Act 28 and 29 Vict. c. 86, be amended, so as to remove the existing uncertainty as to the liabilities incurred and rights acquired by a law which enacts 'That a participation in the profits of a trading concern, in remuneration for capital advanced or services rendered, *shall not of itself* be deemed to constitute partnership.' That, in the opinion of this Association, the evident intention of the Legislature in framing that Act will be attained, while the interests of the public will be secured, by the enactment of a law enforcing perfect publicity as to the terms on which such capital shall be advanced or such services rendered, and by provisions for the different liabilities of acting or unlimited partners and those of limited or *commandite* partners. That it is highly desirable that every company incorporated under the Limited Liability Acts be required annually to file with the Registrar of Joint-Stock Companies a copy of its balance-sheet for the preceding year. That the laws for the punishment of fraud in connection with public companies should be made more efficient.

That the state of the laws relating to merchant shipping is unsatisfactory and imperfect, and that in order to place them on such a footing as will meet the requirements of our own commerce, as well as lead to their adoption, either partially or entirely, by other nations, this Association respectfully urges Her Majesty's Government to make a full inquiry as to the construction of merchant vessels, alleged unseaworthiness, overlading, improper deck loading, and the means of increasing the supply of sailors for the mercantile marine, and any other questions affecting merchant shipping, with a view to early legislation thereon.

That the best and most reliable principle of loadline calculation is that which is based on the actual buoyancy or displace-

ment of the whole ship to the maindeck, and which provides that a certain proportion or reserve of this buoyancy, sufficient to ensure safety, shall be kept above the line of immersion, and that in lieu of the old freeboard calculation, this principle should be adopted in all future legislation on the subject. That a maximum load-line should be fixed for every ship upon the principle contained in the preceding resolution, and that the maximum load-line should be conspicuously marked on the ship, and that it should be a misdemeanour on the part of the shipowner or the captain to load the vessel below that line.

In 1865 the important desiderata on the subject of bankruptcy were described to be provision for the safe economical and speedy realisation and distribution of the estate. Provision for the adequate and certain punishment for insolvency arising from the wilful and reckless incurring of debts to an extent beyond that which the bankrupt had reasonable expectation of discharging, as well as for actually fraudulent bankruptcy. The appointment of a chief judge to secure uniformity of decisions and greater facilities and economy in cases of appeal. The administration in the Court of Bankruptcy of the estates of deceased insolvents. The abolition of the limitation under the 221st section of the Act of 1861, by which an offender is only punishable for a misdemeanour if committed within three months prior to bankruptcy. The assimilation as far as practicable of the Statute Law of England, Scotland, and Ireland on the subject. The provision of means for the recovery of British bankruptcy assets, situate in any part of the British Empire, and the endeavour, by negotiation or otherwise, to obtain means for the recovery of British bankruptcy assets situate in foreign countries. The abolition of the rule by which secured creditors are permitted to vote for deeds of composition in respect to such part of their claims as is secured, and the consolidation of the entire Statute Law on this subject into one Act.

That the operation of the Factory Act, 1874, section 4, sub-section 2, which provides that a child, young person, or woman shall not be employed continuously for more than four and a half hours without an interval of at least half an hour for a meal, is productive during the winter months of much discomfort and of serious loss and inconvenience both to manufacturer and workpeople, and that a memorial from this Association be presented to Her Majesty's Government, praying that in any future legislation upon the Factory and Workshop Acts a discretionary power be given to the factory inspectors to permit the continuous employment of children, young persons, and women engaged in textile manufactures for a spell of five hours during the winter months.

That the General Carriers Act, 1 Will. IV. c. 68, by which railway companies and other carriers are relieved from their

common loss liability for the loss of uninsured parcels of the value of 10% and upwards, containing special classes of goods, is most prejudicial to the manufacturing interests of the country and requires amendment.

That experience having shown that the operation of bills of sale is, in the majority of cases, fraudulent and injurious to the trading community, besides being the worst form of preferential security, this Association is of opinion that they should be abolished.

That considering the absolute dependence of the commerce of the country on its railway system, and the dissatisfaction generally felt in numerous manufacturing districts at the inequality of the treatment experienced at the hands of the railway companies in charging unfair and disproportionate rates of carriage, this Association is of opinion that the time has arrived for giving individual traders the same privileges possessed by railway or other companies in applying for relief to the railway commission.

RAILWAY, POSTAL, AND TELEGRAPHIC COMMUNICATION.

That it is expedient and necessary for the more efficient management of the telegraph system that it should be assumed by the Government, and placed under the management of a department of the Post Office, and that a reduction should be made in the charge for registering letters, and in the rate of postage charged on circulars and other printed matters from this country to the Continent of Europe, and also in the postage rates to foreign countries and to the colonies.

That it is desirable that in the tariff of telegraphing communication with the Continent the rate for the transmission of messages to and from all towns in the United Kingdom should be the same as is paid for similar services in the metropolitan districts, and that the attention of the Post Office authorities should be called to the anomalies existing in the charges for the transmission of telegraphic messages to and from the Continent.

That greater postage facilities with France should be given, viz., that inasmuch as the half-ounce is now recognised as the weight of the single letter from England to every foreign country excepting to France and to Spain, through France, and the half-ounce weight is already in use between England and France, its equivalent being reckoned as 15 grammes, it is desirable that the single rate for letters to and through France should be extended to the half-ounce or 15 grammes.

INCOME TAX.

In 1871 the Association resolved to petition the House of Commons to appoint a select committee to inquire into the

mode of assessing the income and property tax, and the principle, on which such tax is now levied in industrial, professional, and precarious incomes, and also on incomes derived from life annuities, mines, and other sources, where a portion of the principal, as well as of interest, is annually consumed or included in the yearly returns liable to taxation, also into the present mode of including gross income, without allowing for depreciation in railway, manufacturing, and other concerns, also in the mode of collecting the said tax, and the remuneration paid to surveyors, clerks, collectors, and other servants, and also in the constitution and duties of the central and local boards of income-tax commissioners.

That this meeting should represent, by deputation to the Chancellor of the Exchequer or other department of the state, the desirability and fairness of allowing an equitable deduction from profits for depreciation of machinery before assessing those profits for the purpose of paying income tax.

TECHNICAL EDUCATION.

That the rapid progress and high excellence of continental manufactures are, in the opinion of this Association, mainly attributable to the schools for technical education which have for many years been established in Germany and other parts of the Continent, and by means of which the art of design and other valuable scientific knowledge has been very generally acquired, to the great advantage of industrial pursuits; and that in order to enable our manufacturers to maintain the pre-eminence they have so long enjoyed, this Association insists upon the importance of establishing institutions in this country for the extension of technical education.

METRIC SYSTEM OF WEIGHTS AND MEASURES.

Resolved in favour of a decimal standard of weights and measures as greatly calculated to promote facilities in commerce and prevent fraud, and expressed their opinion that the continuance of great irregularity and uncertainty in the weights and measures of the country is pernicious to trade and contrary to all sound principles of commercial policy.

That whereas decimal and metric weights and measures have been made legal, but no such standards, as yet, exist in the United Kingdom, this Association resolves to memorialise Government to provide such standards of weights and measures, and at such places as may be deemed expedient, and further, that the teaching of the decimal metric system be introduced into the upper classes of schools receiving Government grants.

CHAPTER III.

*CIVIL WAR IN THE UNITED STATES AND ITS INFLUENCE
ON BRITISH COMMERCE.*

Relations with the United States.—Difference between the Northern and Southern States on the Tariff —The Slavery Question —Election of Abraham Lincoln.—Hostilities between the North and the South.—Blockade of Southern Ports.—Granting of Belligerent Rights.—The Efficiency of the Blockade.—Trade with Confederate States.—The ‘Alabama’ Dispute.—The Finances of the United States.

THE great insurrection which, towards the end of 1860, threatened to sever into distinct portions the great republic of the West could not fail to have an injurious influence on British commerce and industry. For some time past a marked division was apparent between the industrial and agricultural states of the Union both on the question of free trade *versus* protection, and on the limitation or extension of slavery supremacy in the Republic.

When the constitution was first framed, all the states being purely agricultural, and all equally in need of foreign manufactures, the duties levied were exceedingly moderate. But the war with England altered the industrial position of the respective States. And as the Northern States took to manufactures, and the Southern gave themselves to agriculture, the Northern speedily manifested a reliance on protective duties. The Southern States at first did not offer any strong objection to the raising of import duties, not, indeed, because they had any faith themselves in the benefit of protection, but because they held that any special disadvantage which might fall on the Southern States was counterbalanced by the benefit they enjoyed of sharing in the national prosperity. They felt, however, that the Northern went too far, when, not content with a fair amount of protection, they wished to establish a complete monopoly. When, therefore, in 1823, a large increase was proposed on many of the existing duties, the Southern States refused to submit to it, especially as the measure had been carried by the small majorities of 107 to 102, in the House of Representatives and by 25 to 21 in the Senate. In 1832 a more formidable difference occurred on the same subject. There was then no excuse for imposing a high tariff

on the ground of revenue, and therefore South Carolina, which had always been opposed to the exercise of power by the federal government, took the lead in a movement of direct opposition to the tariff. At first, the delegates contemplated resigning their seats in Congress, but they were content to secure the formation of a committee to inquire into the powers of the federal government with respect to the subjects then agitated. The committee having been appointed, their report was 'that the federal constitution was a compact originally formed, not between the people of the different States, as distinct and independent sovereignties, and that when any violation of the letter or the spirit of that compact took place, it is not only the right of the people, but of the state legislature, to remonstrate against it; that the federal government was responsible to the people, whenever it abused or injudiciously exercised powers intrusted to it, and that it was responsible to the state legislature, whenever it assumed powers not conferred on it.' The committee also reported, 'That all legislation for the protection of domestic manufactures was unconstitutional, as being in favour of a local interest, and that Congress had no power to legislate, except upon subjects of general interest.' Upon the reception of this report, the State of Carolina passed a resolution, 'That the Tariff Acts were not authorised by the constitution of the United States, and violated the true meaning and interest thereof, and were null and void.' President Jackson, alarmed at the agitation, lost no time in issuing a proclamation, appealing to Carolina and other states to remember the toil and blood which American liberty cost, the sacredness of the constitution, and the importance of the union. But the legislature of South Carolina, then in session, authorised the governor to issue a counter proclamation. General orders were issued to raise volunteers, and a rupture was at hand, when, Virginia having appealed to the patriotism and magnanimity of South Carolina, a compromise was effected, by which Congress reduced all the duties which exceeded 20 per cent. and declared that, after 1844, customs duties should be levied only for the purpose of raising such revenues as may be necessary to an economical administration of government. But the compact was not adhered to. The tariff of 1843 exhibited no improvement on the former tariff, and that of 1846 established much higher rates. Some slight reductions were afterwards made in 1857, but Mr. Morrill's tariff, in 1861, made matters worse.¹

The slavery question was even more complex than that of customs duties. In 1787, when the constitution was settled,

¹ The South want railway iron in large quantities to make railways for bringing down cotton from the interior; the duty upon this one article under the Morrill tariff was 70 per cent. upon the cost of manufacture in England — Mr Walford on 'The Trade of the United States' (*Journal of the Statistical Society*, vol xx, 283).

slavery existed in every state of the Union except Massachusetts, though, soon after, the other Northern States took steps for its abolition. Early in fact in the history of the Union, as Mr. Maddison said, the States were divided into different parties, the result not of difference of size but of other circumstances, the most material of which were connected partly with climate and principally with their having or not having slaves. Still, even then slavery was regarded as an evil to be deplored and if possible to be got rid of. But the evil increased. So long as indigo and rice formed the staple of the planting States the increase of slaves was not very material. But when the cotton gin was invented and the value of the cotton crop became more and more important, new Slave States were added, and the slave population increased faster than the free. In 1818 a contest began as to the limits of the slave territory, when the Missouri compromise was entered into, whereby the South and the North each gained two states. Subsequently the South purchased Florida. Then Arkansas was admitted as a Southern State, while Michigan entered as a free state as well as California, and afterwards New Mexico. So that, in 1861, slavery existed in 15 out of the 31 states. These slave states sent 30 senators and 88 representatives to Congress, and more than once the president himself owed his election to the influence of the Slave States.

Thus matters stood when, in November 1860, Abraham Lincoln, the Republican candidate, was elected by a large majority as President of the United States. In this election North and South were openly arrayed against each other, and the result, fatal to Southern influence, became the signal of a great change. Not a month, in fact, elapsed after the election took place when a state convention was held in South Carolina, which declared the Union subsisting between South Carolina and other states under the name of the United States dissolved. Other states followed in adopting a similar resolution. Mississippi did so on January 8, 1861, Florida on the 10th, Alabama on the 11th, Georgia on the 19th. Louisiana and Texas came next, and they were succeeded by North Carolina, Virginia, Tennessee, and Arkansas. All the slave states thus made common cause against the free states, and on February 4, 1861, they constituted a provisional government for themselves under the title of the Confederate States of America. But the Government of the United States withstood such a confederacy and put forth all its strength for securing the permanence of the Union. Civil war ensued, and during the struggle the slavery question was set at rest. In July 1862, Mr. Lincoln sanctioned a bill for the confiscation of property and emancipation of slaves of all persons who did not deposit their arms in sixty days. And in September another proclamation was issued declaring all slaves of the states in revolt on January 1,

1863, free from that day. Accordingly on that day all slaves found in Texas, Arkansas, Mississippi, Alabama, Florida, Georgia, North Carolina, South Carolina, Louisiana, and Virginia, in a state of rebellion, were declared free. The insurrection was quelled after a severe and protracted struggle, and after the unhappy tragedy of the assassination of Lincoln, subsequent to his reelection, the blockade was raised and peace was restored.

The finances of the United States during the rebellion acquired an extraordinary magnitude. Previous to that event the expenditure and debt of the United States exhibited a remarkable contrast as compared with those of European states. In 1860 the expenditure was in the proportion of 11s. per head of the population, against 2l. 6s. per head in the United Kingdom, and the interest of the public debt only 6d. per head, against 17s. per head in the United Kingdom. How different only a few years after. The public debt of the United States on March 4, 1861, was \$68,483,000. On December 31, 1865, it had risen to \$2,807,310,000. In five years, from 1861 to 1866, the United States Government expended in the war upwards of \$5,000,000,000, besides the expenditure incurred by states, counties, cities, and towns in the loyal burghs for war purposes, estimated at \$500,000,000 more, and the expenditure incurred by the Confederate States, estimated at \$2,000,000,000, and the immense amount lost in the destruction of property. This enormous expenditure was met partly by loans and partly by the issue of paper currency, the amount authorised to be so issued being not less than \$1,200,000,000.² The whole of this amount was not eventually issued, but what went into circulation was sufficiently large to produce an enormous increase of prices and a proportional depreciation of the currency as against gold. In April 1862 the premium on gold was 174 per cent. In July 1864 it rose to 185 per cent., and the foreign exchanges rose in equal proportions.³ The increasing wants of the treasury led to a considerable increase of taxation which greatly affected the foreign trade of the United States. Prices, calculated at a depreciated currency and aggravated by a prohibitive tariff, rose immensely. Altogether the economic condition of the people was changed by the fictitiousness of all calculations, and a shock was given on the trade and finances which could not fail to retard the progress of a country which had hitherto marched at a most rapid pace.

² The Act authorising the issue of inconvertible paper in the shape of demand notes was passed on February 22, 1862, and by a supplemental bill approved on March 16, 1862, such demand notes were made receivable for import duties and declared as legal tender. The Act for the resumption of specie payments was passed on January 14, 1875, and was carried into effect on January 1, 1879.

³ The rate of exchange New York to London on January 5, 1861, was 103 : on January 11, 1862, 111 ; on January 3, 1863, 146 ; on January 2, 1864, 165 , on January 7, 1865, 243½ , on January 6, 1866, 152½ , and on January 5, 1867, 109¼.

Most important also were the effects of the civil war on the commerce between the United States and England. In 1860 our imports from the United States amounted to 44,727,000*l.*, a large portion of which consisted of cotton. Suddenly, however, with the closing of the Southern ports a large portion of the American trade ceased, and the amount of our imports thence was reduced by more than half. In 1860 we imported altogether 1,391,000,000 lbs. of cotton, of which 1,115,890,000 lbs., or 75 per cent., were from the United States. In 1862 the imports of American cotton amounted only to 6,394,000 lbs. And the average price of middling Orleans cotton, which in 1860 was 6 $\frac{2}{8}$ *d.* per lb., rose in 1864 to 27 $\frac{3}{4}$ *d.*⁴ Perplexed how to obtain the necessary quantity of cotton, India was put in motion to produce more largely than she had hitherto done. For manufacturing purposes Surat cotton is inferior to American cotton, nevertheless, gradually the manufacturers learnt how to use it mixed with other descriptions, and the importation of Indian cotton, which in 1860 was 204,000,000 lbs., rose in 1866 to 615,000,000 lbs.⁵ Much has been done in India to improve the cultivation of cotton by the selection of indigenous seed, by the introduction of exotic seed, by a better cultivation of the soil, by the improvement of pressing bales, by the improvement of roads, and by the construction of railways. But it is the price that regulates the extent of cotton cultivation in India as elsewhere; and whether India will ever be able to compete permanently with America is doubtful. The cotton requirements of the world are estimated at nearly 3,000,000,000 lbs., the half of which is for Great Britain alone, and the other half for Europe, America, and India. It is much to be desired that every facility should be accorded to the cultivation of the article in every country in which it may be advantageously grown. To the United States the insurrection has been most injurious. Their finances have been disorganised; their commerce and navigation considerably reduced; their whole economic policy has been reversed.

⁴ The following quotations of extreme prices of cotton from Messrs. George Holt & Co.'s circular may be useful —

	1860	1864
Upland . . .	7 $\frac{1}{4}$ to 8	24 to 32 $\frac{1}{2}$
New Orleans . . .	8 $\frac{3}{8}$ „ 9	25 „ 33
Sea Island . . .	26 „ 26	60 „ 74
Surat . . .	5 $\frac{1}{4}$ „ 5 $\frac{7}{8}$	16 $\frac{1}{2}$ „ 27 $\frac{1}{2}$

⁵ The Civil War in the United States produced a considerable distress in Lancashire by the sudden curtailment of the chief source of cotton supply. A relief fund was established, and the number of persons relieved, which in June 1862 was 129,774, in December 1862 was 485,434. The number continued nearly as high till April 1863, when it was 362,076. Then it fell monthly till 1865, when the excess disappeared. The total sum distributed in relief by the central executive relief fund was 841,809*l.*, while the value of the contributions in kind were valued at 111,968*l.*, making a total of 1,773,647*l.*

CHAPTER IV.

THE ALABAMA DISPUTE.

Formation of the Confederate States of North America.—Granting of Belligerent Rights by the British Government.—The 'Sumter' at Trinidad.—The 'Florida' and the 'Alabama'—Rights of Blockade.—Appointment of a Royal Commission.—The Treaty of Washington.—The Arbitration.—Appendix. Act V. of the Treaty of Washington, and Decision and Award

THE political relations between the United Kingdom and the United States were greatly disturbed by the insurrection in the Southern States. The government of the United States charged Great Britain with having hastily and precipitately granted to their rebel subjects belligerent rights, and, by the neglect of the proper duties of a friendly neutral state, to have materially assisted the operations of their enemies. The circumstances were as follows:—The Civil War commenced in November 1860, when seven states renounced their allegiance to the United States and formed themselves into a separate confederation, under the title of the 'Confederate States of North America.' Between November 1860 and March 1861, these states adopted a federal constitution, instituted a federal legislature, raised a large army, and established a regular government. Shortly afterwards four other states joined the confederacy, and judging by the size and population of the newly organised confederation, the judgment displayed by its ministers, and the measures they took for its preservation, there was no questioning the fact that the confederacy was more than a handful of rebels to be dispersed by the police, but that, on the contrary, it was, in fact as well as in theory, a belligerent state.

Actual war commenced with the attack of Fort Sumter on April 13. On the 15th the President of the United States raised an army of 75,000 men. On the 17th, Mr. Jefferson Davis, the President of the Confederate States announced his disposition to grant letters of marque, and on the 19th President Lincoln issued a proclamation subjecting the southern portion of the United States to a rigorous blockade. What did England do? On May 14, fourteen days after the receipt in London of the news that Fort Sumter had been reduced by bombardment, that the President of the United States had called out 75,000 men, and that Mr. Jefferson Davis had taken measures for issuing letters of marque, twelve days after receipt of intelligence that President

Lincoln had published a proclamation of blockade; nine days after a copy of that proclamation had been received from Her Britannic Majesty's Consul at New York, and three days after the same proclamation had been officially communicated to Her Majesty's Secretary of State for Foreign Affairs by Mr. Dallas, Her Majesty's Government issued a proclamation recognising the state of hostilities between the Government of the United States of America and certain states styling themselves the Confederate States of America, declaring a determination to maintain a strict and impartial neutrality, and enjoining all Her Majesty's subjects to observe the same.

The American Government complained that this proclamation legalised privateering; that it was issued upon the receipt of an incorrect proclamation; that it was unfriendly to issue it before Mr. Adams arrived, who was to have explained the policy of the United States Government. And they asserted that their Declaration of Blockade was for revenue purposes only. But the recognition of a state of hostilities, or the granting of belligerent rights did not amount to a recognition of independence: it was simply a legal recognition of facts, painful in themselves, and which had the most injurious influence on British commerce. Other countries acted in the same manner: France did nearly the same; Spain followed; and Holland, always watchful for the rights of neutrals, laid down that, with the state of civil war in the United States, no other alternative was left but to grant to both belligerent parties all the rights which war accorded to public enemies. The fact that other countries, acting independently, dealt more or less in the same manner as the United Kingdom, is of itself a full and sufficient answer to the charge of unfriendliness on the part of England.

The substantial gravamen, however, of the United States rested on the charge that British territory was made the base of the naval operations of the insurgents; that the first serious fight had scarcely taken place before the contracts were made in Great Britain for the 'Alabama' and the 'Florida;' that the contest was nearly over when Waddell received his orders in Liverpool to sail thence in the 'Laurel,' in order to take command of the 'Shenandoah,' and to visit the Arctic Ocean on a hostile cruise. How far was the British Government responsible for the operations of such merchant vessels against the mercantile marine of the United States? The 'Sumter' was built in the United States, she escaped in June 1861, and on July 30 she arrived at Trinidad. Being furnished with a commission she was permitted to obtain a supply of coal, but being afterwards chased by American ships of war, she was sold at Gibraltar for 4,000*l*. Upon this two objections were made. First, her admission at Trinidad and the supply of coal there to a privateer; and, second, the illegality of the sale

of the ship. The first act was a necessary sequel of the recognition of belligerent rights, and the second was not the act of the Home Government. It was open to the American Government to question in a Court of Prizes the validity of the purchase, but surely that was not a duty incumbent on Her Majesty's Government.

The 'Florida' was built at Liverpool under the name of the 'Oreto,' and she was to a certain extent fitted as a war vessel, but she was understood as destined for Palermo, and there was no evidence whatever to support a seizure. She left Liverpool with a clearance for Palermo and Jamaica, unarmed, and with no warlike stores of any kind, under the command of a master belonging to the British Mercantile Marine, and manned by a crew who were not enlisted for the Confederate service. In that condition she arrived at Nassau. There she was seized by order of the governor, and proceedings were instituted against her. But she was released by a decree of court, and she sailed from Nassau unarmed and with a clearance for New Brunswick.

The case of the 'Alabama' was still more a ground of complaint. On June 23, 1862, Mr. Adams, the American ambassador in London, made known to the British Government that a vessel known as 'No. 290' or the 'Alabama' was building in Liverpool, and on the 30th he requested Earl Russell to cause the ship to be detained. Earl Russell referred the matter to the customs authorities, under whose supervision the registry of ships and other matters connected with navigation are placed, but, owing to the particular structure of the ship and to the want of evidence of any fitting out or arming as a war vessel, the commissioners of customs did not feel themselves justified in arresting the vessel; and they reported on July 1 that there was no attempt on the part of the builders to disguise what was apparent, that she was intended for a vessel of war, that she had several powder canisters on board, but that as yet she had neither guns nor carriages. The report received from the customs was sent to Mr. Adams on July 4, with a suggestion that the United States consul at Liverpool should procure further proof of equipment. Mr. Adams acted on the suggestion, and on the 22nd and 24th sent further depositions, together with an opinion of Mr., now Sir R. P., Collier in favour of a seizure. On the 29th the law officers reported that she should be seized, but on that same morning the ship had sailed from the Mersey under pretext of being a trial trip. A copy of the law officers' report was then sent to the Bahamas in case the 'Alabama' should go there. She, however, proceeded to Angoa Bay in the Azores where she met the 'Baham' and 'Agrippina' with her armament; got there her commander Captain Semmes and 42 men, and she hoisted the Confederate flag and sailed for Port Royal, Martinique. So provided, she went to Blanco Island where she was coated, and having destroyed the,

United States ship 'Hatteras' off Galveston, she sailed afterwards to Jamaica, where she was received and recognised as a regularly commissioned ship of war. From that time she continued her depredations at the Cape of Good Hope and elsewhere until she was finally sunk by the United States ship 'Keatsage,' off Cherbourg on July 19, 1864. How far the United Kingdom was responsible for the escape of the 'Alabama' was a point of controversy.

The same was the case with the 'Georgia,' *alias* the 'Japan,' built on the Clyde in 1863. She left the Clyde six days before any complaint was made, and she was reported to have gone to Alderney. Orders were given to investigate the case both at Greenock and Alderney, but she was fitted up only as a merchant vessel and she was armed for war in French waters. A prosecution was instituted against certain persons for having hired and procured men to engage in the service of the Confederate States by enlisting on board the 'Georgia,' but that was to little purpose. She went on her mission of destruction, and when she came into the port of Liverpool, disarmed and dismantled, she was sold. The American Government objected to the validity of this sale as illegal. But was it the duty of the British Government to act as a Prize Court for the United States?

Other difficulties arose out of this blockade. The Conference of Paris of 1856 specifically stated that a blockade in order to be binding must be effective; that is to say, maintained by a force sufficient really to prevent ingress or egress to or from the blockaded port. It was evident, however, that in this case it was almost impossible to blockade so extensive a coastage. The blockade was maintained in a very ineffective manner; the vessels were too few in number and not suitable in class for the purpose of preventing access to the various harbours and inlets indenting it. And, consequently, there were many evasions. Numerous steamers were ready to run into the blockaded ports by night, by day, whenever and howsoever they might evade the blockading squadron. And this was another ground of complaint on the part of the United States.

The blockade runners were not content to remain on the high seas on the alert for an entrance: they made Metamoros and Nassau the starting-points of their operations, just as Heligoland was the chief place for contraband during the French war, and Metamoros and Nassau rose on a sudden, in consequence of their position, to a state of opulence. Yet it could not be said that the British Government should have stopped that trade. It was carried on from New York as it was from London and Liverpool, and the fact that some goods were afterwards transported across the frontiers to Texas did not vitiate the legitimate character of that trade. Nor was it possible to say beforehand that certain

goods would be consumed in Mexico, and certain other goods would be carried into the so-called Confederate States. The American Government wished the British Government to impose all manner of restrictions on the exports from New York to the Bahamas lest they should go to the insurgents. But British subjects as neutrals had a perfect right to sell goods to anyone. And it is not a violation of neutrality to carry on active trade with a belligerent state.

The United States charged Great Britain with having failed in all these cases to observe those duties which as a neutral she ought to have observed towards the United States. In the opinion of the American Government such duties range far beyond the limits of municipal law; and a belligerent has the right of demanding that that law be altered, if at any time it should be found insufficient. The American Government made no distinction between the duties of a state in its collective capacity, and the duties of the subjects of that state in their individual capacity, and intended to make the Government responsible for both categories of duties, summing up with a demand of compensation for the injury resulting from any negligence of duty or actual breach of neutrality on its soil or waters. But the Law of Nations has never made the government of a neutral state liable for all the acts of its subjects. It only gives to the belligerent the right of capturing such goods as are considered contraband of war, and such merchant ships as might attempt to break the blockade. True, the foreign Enlistment Act constituted certain offences against the Law of Nations Criminal Acts, and, in some sense, the Law of Nations is part of the Law of England. All that the United States could demand was that such portion of the Law of Nations as is incorporated in the statute law should be enforced, due allowance being made that in England penal statutes must be construed strictly, and that no conviction can be obtained under them except upon the most irrefragable legal evidence. As to the rights of a belligerent to demand a change of that law if it be found insufficient for the purpose, it is altogether inadmissible. When Prussia was at war with France she asked England to prohibit the exportation of arms, but no change can be made during the war in favour of one belligerent without injuring the other. If the foreign Belligerent Act, therefore, was defective, it was not competent for the United States to demand an alteration of the same to suit their purpose.

The difficulty of obtaining a conviction under the foreign Enlistment Act was certainly an element of discouragement to Her Majesty's Government in the prosecution of such cases, and the result of the case of the 'Alexandra'¹ was of itself a sufficient

¹ Attorney-General *v* Sillem. The 'Alexandra,' 2 H. & C 431, where it was decided by the Court of Exchequer that the building in pursuance of a contract

deterrent. There Her Majesty's Government did all that was in its power to secure a conviction but in vain, for in England the courts of justice are quite independent of the executive. And if the language of the foreign Belligerent Act was not clear enough to secure a conviction in the case of the 'Alexandra,' what hope could Her Majesty's Government have of success in still more ambiguous cases? Surely whilst war was pending it was undesirable to alter a law which had long been in force and which in its terms was almost precisely the same as the corresponding Act in the United States of America.

Her Majesty's Government did not remain altogether inactive in the difficult position in which they were placed. As stated in the argument on its behalf: 'In every case direction was given without the least delay for investigation and inquiry on the spot by the proper officers of government, and these officers were ordered to keep a watchful eye on the suspected vessel, and the directions and orders so given were executed. In some cases the attention of the Government had been directed, before the receipt of any communication from Mr. Adams, to vessels as to which there appeared to be ground for suspicion. As soon as any evidence was obtained it was submitted without delay to the law officers of the Crown, and they were called upon to advise as to the proper course of proceeding. In every case in which reasonable evidence could be obtained, the vessel was seized by the officers of the Government and proceedings were instituted against her in the proper court of law. In several of the cases, however, in which a seizure was made, the Government found itself unable or uncertain whether it would be able to sustain the seizure by sufficient evidence, and was under the necessity of either releasing the vessel and paying the costs of the trial and detention, or of purchasing her at the public expense.'

Whatever might be the rights of the case however, the acrimonious correspondence which ensued between the United States and the United Kingdom was most hurtful to the best interests of both countries, and it was an act of high wisdom on their part to decide that the disputed rights should be left to the arbitrament of competent parties. A High Commission was accordingly appointed, consisting of the Earl of Ripon, Viscount Goderich, Sir Stafford Northcote, Sir Edward Thornton, Sir John Alexander Macdonald, and Mr. Montagu Bernard, Q.C., to meet a similar number to be appointed by the United States to make the necessary arrangements for such arbitration. The Commission met at Washington on February 27, 1871, and soon after, the

with the intention to sell and deliver to a belligerent power, the hull of a vessel suitable for war, but unarmed, and not equipped, furnished, or fitted out with anything which enables her to cruise or commit hostilities, or do any warlike act whatever, was not a violation of the Foreign Enlistment Act. 59 Geo 3, c. 69

American Commissioners placed in the hands of the British Commissioners their plaint, to the following effect: That the people and Government of the United States felt that they had sustained a great wrong, and that great injuries and losses were inflicted upon their commerce and their material interests by the course and conduct of Great Britain during the recent rebellion in the United States; that what had occurred in Great Britain and her colonies during that period had given rise to feelings in the United States which the people of the United States did not desire to cherish towards Great Britain; that the history of the 'Alabama' and other cruisers which had been fitted out, or armed, or equipped, or which had received augmentation of force in Great Britain or in her colonies, and of the operations of those vessels, showed extensive direct losses in the capture and destruction of a large number of vessels with their cargoes, and in the heavy national expenditure in the pursuit of the cruisers, and indirect injury in the transfer of a large part of the American commercial marine to the British flag, in the enhanced payments of insurance, in the prolongation of the war, and in the addition of a large sum to the cost of the war and the suppression of the rebellion; and also showed that Great Britain, by reason of failure in the proper observance of her duties as a neutral, had become justly liable for the acts of those cruisers and of their tenders; that the claims for the loss and destruction of private property which had thus far been presented amounted to about fourteen millions of dollars without interest, which amount was liable to be greatly increased by claims which had not been presented; that the cost to which the Government had been put in the pursuit of cruisers could easily be ascertained by certificate of Government accounting officers; that in the hope of an amicable settlement no estimate was made of the indirect losses, without prejudice, however, to the right to indemnification on their account in the event of no such settlement being made.'

Negotiations thereupon commenced, and on May 8 the Washington Treaty was signed, which, after stating the desire of both countries to provide for an amicable settlement of all causes of difference between them, and having set out in the first article that differences have arisen and still exist, 'growing out' of the acts committed by the several vessels which have given rise to the claims generally known as the 'Alabama Claims,' proceeded to establish the terms and manner of the arbitration. Unfortunately, however, an important clause was introduced in the treaty (see Appendix), laying down rules to be applied by the arbitrators in the construction of the acts of Great Britain, which could not be said to be in accord with the principles of international law in force at the time when the claims arose—rules which could not fail to compromise the position held

by Great Britain. When the terms of the treaty were made known in the United Kingdom, as well as the fact that the United States Government, not content with demanding indemnity for the damages committed in a direct manner by the unfortunate vessels, had made out a bill for the indirect losses as well, including the expenditure incurred by the United States in the pursuit of the insurgent cruisers, the loss from the transfer of the American commercial marine to the British flag in consequence of the acts of the rebel cruisers, the loss for the enhanced payments of insurance created by such acts, an indemnity for the injury which these cruisers caused in prolonging the war, and interest upon the claims at 7 per cent. from July 1, 1863, to the date of payment, a strong disposition was manifested in England to withdraw from the arbitration, but a better judgment prevailed and the tribunal was suffered to proceed to its task.

The tribunal so appointed consisted of five arbitrators, to be named—one by Her Britannic Majesty, one by the President of the United States, one by his Majesty the King of Italy, one by the President of the Swiss Confederation, and one by his Majesty the Emperor of Brazil. Accordingly England named Lord, then Sir Alexander, Cockburn, Lord Chief Justice of England; the United States named his Excellency Charles Francis Adams; Italy, his Excellency Count Frederic Sclopis; Switzerland, M. Jacques Staempfli; and Brazil, his Excellency Marcos Antonia D'Araujo, Viscount d'Itajuba. The arbitrators met at Geneva, in Switzerland, at the Hôtel de Ville, on December 15, 1871, Count Sclopis acting as president. The agents named by the contracting parties in virtue of Article II. of the Treaty of Washington were Lord Tenterden, for England, and Mr. John C. Bancroft Davies, for the United States of America, and on September 14, 1872, the tribunal gave judgment in favour of the United States, and by a majority of four voices to one (the objector being Lord Cockburn), they awarded to the United States a sum of \$15,000,000 in gold as the indemnity to be paid by Great Britain to the United States for the satisfaction of all the claims referred to the consideration of the tribunal conformably to the provisions contained in Article VII. of the Treaty of Washington.

APPENDIX.

Article VI. of the Treaty of Washington, May 8, 1871.

In deciding the matters submitted to the Arbitrators they shall be governed by the following three rules, which are agreed upon by the high contracting parties as rules to be taken as applicable to the case, and by such principles of international law not inconsistent therewith as the Arbitrators shall determine to have been applicable to the case —

Rules.

A neutral Government is bound :—

First.—To use due diligence to prevent the fitting out, arming, or equipping, within its jurisdiction, of any vessel which it has reasonable ground to believe is intended to cruise or to carry on war against a Power with which it is at peace; and also to use like diligence to prevent the departure from its jurisdiction of any vessel intended to cruise or carry on war as above, such vessel having been specially adapted, in whole or in part, within such jurisdiction, to warlike use.

Secondly.—Not to permit or suffer either belligerent to make use of its ports or waters as the base of naval operations against the other, or for the purpose of the renewal or augmentation of military supplies or arms, or the recruitment of men.

Thirdly.—To exercise due diligence in its own ports and waters, and as to all persons within its jurisdiction, to prevent any violation of the foregoing obligations and duties.

Her Britannic Majesty has commanded Her High Commissioners and Plenipotentiaries to declare that Her Majesty's Government cannot assent to the foregoing Rules as a statement of principles of international law which were in force at the time when the claims mentioned in Article I arose, but that Her Majesty's Government, in order to evince its desire of strengthening the friendly relations between the two countries and of making satisfactory provision for the future, agrees that, in deciding the questions between the two countries arising out of those claims, the Arbitrators should assume that Her Majesty's Government had undertaken to act upon the principles set forth in these rules.

And the high contracting parties agree to observe these Rules as between themselves in future, and to bring them to the knowledge of other maritime Powers and to invite them to accede to them.

Decision and Award made by the Tribunal of Arbitration constituted by virtue of the 1st Article of the Treaty concluded at Washington the 8th of May 1871, between Her Majesty the Queen of the United Kingdom of Great Britain and Ireland and the United States of America.

Her Britannic Majesty and the United States of America having agreed by Article I. of the Treaty concluded and signed at Washington the 8th of May 1871 to refer all the claims 'generically known as the Alabama claims' to a Tribunal of Arbitrators to be composed of five Arbitrators named :—

One by Her Britannic Majesty,
 One by the President of the United States,
 One by His Majesty the King of Italy,
 One by the President of the Swiss Confederation,
 One by His Majesty the Emperor of Brazil ;

And

Her Britannic Majesty, the President of the United States, his Majesty the King of Italy, the President of the Swiss Confederation, and his Majesty the Emperor of Brazil, having respectively named their Arbitrators, to wit :—

Her Britannic Majesty, Sir Alexander James Edmund Cockburn, Baronet, a Member of Her Majesty's Privy Council, Lord Chief Justice of England;

The President of the United States, Charles Francis Adams, Esquire;

His Majesty the King of Italy, His Excellency Count Frederic Sclopis, of Salerano, a Knight of the Order of the Annunziata, Minister of State, Senator of the Kingdom of Italy;

The President of the Swiss Confederation, M Jacques Staempfli;

His Majesty the Emperor of Brazil, His Excellency Marcos Antonio d'Araujo, Viscount d'Itajubá, a Grandee of the Empire of Brazil, Member of the Council of His Majesty the Emperor of Brazil, and his Envoy Extraordinary and Minister Plenipotentiary in France

And the five Arbitrators above named having assembled at Geneva in (Switzerland) in one of the Chambers of the Hôtel de Ville on the 15th of December 1871, in conformity with the terms of the 2nd Article of the Treaty of Washington, of the 8th of May of that year, and having proceeded to the inspection and verification of their respective powers, which were found duly authenticated, the Tribunal of Arbitration was declared duly organised

The Agents named by each of the High Contracting Parties, by virtue of the same Article II., to wit :—

For Her Britannic Majesty, Charles Stuart Aubrey, Lord Tenterden, a Peer of the United Kingdom, Companion of the Most Honourable Order of the Bath, Assistant Under-Secretary of State for Foreign Affairs,

And for the United States of America, John C Bancroft Davies, Esquire;

Whose powers were found likewise duly authenticated, then delivered to each of the Arbitrators the printed Case prepared by each of the two Parties, accompanied by the documents, the official correspondence, and other evidence on which each relied, in conformity with the terms of the 3rd Article of the said Treaty

In virtue of the decision made by the Tribunal at its first session, the Counter-Case and additional documents, correspondence, and evidence, referred to in Article IV. of the said Treaty were delivered by the respective Agents of the two Parties to the Secretary of the Tribunal on the 15th of April 1872, at the Chamber of Conference, at the Hôtel de Ville of Geneva.

The Tribunal, in accordance with the vote of adjournment passed at their second session, held on the 16th of December 1871, re-assembled at Geneva on the 15th of June 1872; and the Agent of each of the Parties duly delivered to each of the Arbitrators and to the Agent of the other Party the printed Argument referred to in Article IV of the said Treaty

The Tribunal having since fully taken into their consideration the Treaty and also the Cases, Counter-Cases, documents, evidence, and Arguments, and likewise all other communications made to them by the two Parties during the progress of their sittings, and having impartially and carefully examined the same,

Has arrived at the decision embodied in the present Award :

Whereas, having regard to the 6th and 7th Articles of the

said Treaty, the Arbitrators are bound under the terms of the said 6th Article, 'in deciding the matters submitted to them, to be governed by the three Rules therein specified and by such principles of international law, not inconsistent therewith, as the Arbitrators shall determine to have been applicable to the case,'

And whereas the 'due diligence' referred to in the first and third of the said rules ought to be exercised by neutral Governments in exact proportion to the risks to which either of the belligerents may be exposed, from a failure to fulfil the obligations of neutrality on their part,

And whereas the circumstances out of which the facts constituting the subject-matter of the present controversy arose were of a nature to call for the exercise on the part of Her Britannic Majesty's Government of all possible solicitude for the observance of the rights and duties involved in the Proclamation of Neutrality issued by Her Majesty on the 13th day of May 1861;

And whereas the effects of a violation of neutrality committed by means of the construction, equipment, and armament of a vessel are not done away with by any commission which the Government of the belligerent Power, benefited by the violation of neutrality, may afterwards have granted to that vessel: and the ultimate step, by which the offence is completed, cannot be admissible as a ground for the absolution of the offender, nor can the consummation of his fraud become the means of establishing his innocence,

And whereas the privilege of extritoriality accorded to vessels of war has been admitted into the law of nations, not as an absolute right, but solely as a proceeding founded on the principle of courtesy and mutual deference between different nations, and therefore can never be appealed to for the protection of acts done in violation of neutrality,

And whereas the absence of a previous notice cannot be regarded as a failure in any consideration required by the law of nations, in those cases in which a vessel carries with it its own condemnation;

And whereas, in order to impart to any supplies of coal a character inconsistent with the second Rule, prohibiting the use of neutral ports or waters as a base of naval operations for a belligerent, it is necessary that the said supplies should be connected with special circumstances of time, of persons, or of place, which may combine to give them such character;

And whereas, with respect to the vessel called the 'Alabama,' it clearly results from all the facts relative to the construction of the ship at first designated by the number '290' in the port of Liverpool, and its equipment and armament in the vicinity of Terceira through the agency of the vessels called the 'Agrippina' and the 'Bahama,' despatched from Great Britain to that end, that the British Government failed to use due diligence in the performance of its neutral obligations; and especially that it omitted, notwithstanding the warnings and official representations made by the diplomatic agents of the United States during the construction of the said number '290,' to take in due time any effective measures of prevention, and that those orders which it did give at last, for the detention of the vessel, were issued so late that their execution was not practicable;

And whereas, after the escape of that vessel, the measures taken for its pursuit and arrest were so imperfect as to lead to no result, and therefore cannot be considered sufficient to release Great Britain from the responsibility already incurred ;

And whereas, in despite of the violations of the neutrality of Great Britain committed by the '290,' this same vessel, later known as the Confederate cruiser 'Alabama,' was on several occasions freely admitted into the ports of Colonies of Great Britain, instead of being proceeded against as it ought to have been in any and every port within British jurisdiction in which it might have been found ;

And whereas the Government of Her Britannic Majesty cannot justify itself for a failure in due diligence on the plea of the insufficiency of the legal means of action which it possessed :

Four of the Arbitrators for the reasons above assigned, and the fifth for reasons separately assigned by him,

Are of opinion—

That Great Britain has in this case failed, by omission, to fulfil the duties prescribed in the first and the third of the Rules established by the 6th Article of the Treaty of Washington.

And whereas, with respect to the vessel called the 'Florida,' it results from all the facts relative to the construction of the 'Oreto' in the port of Liverpool, and to its issue therefrom, which facts failed to induce the authorities in Great Britain to resort to measures adequate to prevent the violation of the neutrality of that nation, notwithstanding the warnings and repeated representations of the Agents of the United States, that Her Majesty's Government has failed to use due diligence to fulfil the duties of neutrality ;

And whereas it likewise results from all the facts relative to the stay of the 'Oreto' at Nassau, to her issue from that port, to her enlistment of men, to her supplies, and to her armament, with the co-operation of the British vessel 'Prince Alfred,' at Green Cay, that there was negligence on the part of the British Colonial Authorities ;

And whereas, notwithstanding the violation of the neutrality of Great Britain committed by the 'Oreto,' this same vessel, later known as the Confederate cruiser 'Florida,' was nevertheless on several occasions freely admitted into the ports of British Colonies ;

And whereas the judicial acquittal of the 'Oreto' at Nassau cannot relieve Great Britain from the responsibility incurred by her under the principles of international law ; nor can the fact of the entry of the 'Florida' into the Confederate port of Mobile, and of its stay there during four months, extinguish the responsibility previously to that time incurred by Great Britain .

For these reasons,

The Tribunal, by a majority of four voices to one, is of opinion—

That Great Britain has in this case failed, by omission, to fulfil the duties prescribed in the first, in the second, and in the third of the Rules established by Article VI. of the Treaty of Washington.

And whereas, with respect to the vessel called the 'Shenandoah,' it results from all the facts relative to the departure from London of the merchant-vessel the 'Sea King,' and to the transformation of that ship into a Confederate cruiser under the name of the 'Shenandoah,' near the Island of Madeira, that the Government of Her Britannic

Majesty is not chargeable with any failure, down to that date, in the use of due diligence to fulfil the duties of neutrality ;

But whereas it results from all the facts connected with the stay of the 'Shenandoah' at Melbourne, and especially with the augmentation which the British Government itself admits to have been clandestinely effected of her force, by the enlistment of men within that port, that there was negligence on the part of the authorities at that place :

For these reasons,

The Tribunal is unanimously of opinion—

That Great Britain has not failed, by any act or omission, to fulfil any of the duties prescribed by the three Rules of Article VI. in the Treaty of Washington, or by the principles of international law not inconsistent therewith, in respect to the vessel called the 'Shenandoah,' during the period of time anterior to her entry into the port of Melbourne ;

And, by a majority of three to two voices, the Tribunal decides that Great Britain has failed, by omission, to fulfil the duties prescribed by the second and third of the Rules aforesaid, in the case of this same vessel, from and after her entry into Hobson's Bay, and is therefore responsible for all acts committed by that vessel after her departure from Melbourne, on the 18th day of February 1865.

And so far as relates to the vessels called—

The 'Tuscaloosa'

The 'Tacony,' and

(Tender to the 'Alabama') The 'Archer'

The 'Clarence,'

(Tenders to the 'Florida'),

The Tribunal is unanimously of opinion—

That such tenders or auxiliary vessels being properly regarded as accessories must necessarily follow the lot of their principals, and be submitted to the same decision which applies to them respectively.

And so far as relates to the vessel called 'Retribution,'

The Tribunal, by a majority of three to two voices, is of opinion—

That Great Britain has not failed by any act or omission to fulfil any of the duties prescribed by the three Rules of Article VI. in the Treaty of Washington, or by the principles of international law not inconsistent therewith.

And so far as relates to the vessels called—

The 'Georgia,'

The 'Tallahassee,' and

The 'Sumter,'

The 'Chickamauga,' respectively,

The 'Nashville,'

The Tribunal is unanimously of opinion—

That Great Britain has not failed, by any act or omission, to fulfil any of the duties prescribed by the three Rules of Article VI. in the Treaty of Washington, or by the principles of international law not inconsistent therewith.

And so far as relates to the vessels called—

The 'Sallie,'

The 'Boston,' and

The 'Jefferson Davis,'

The 'V. H. Joy,' respectively,

The 'Music,'

The Tribunal is unanimously of opinion—

That they ought to be excluded from consideration for want of evidence.

And whereas, so far as relates to the particulars of the indemnity claimed by the United States, the costs of pursuit of the Confederate cruisers are not, in the judgment of the Tribunal, properly distinguishable from the general expenses of the war carried on by the United States:

The Tribunal is, therefore, of opinion, by a majority of three to two voices—

That there is no ground for awarding to the United States any sum by way of indemnity under this head

And whereas prospective earnings cannot properly be made the subject of compensation, inasmuch as they depend in their nature upon future and uncertain contingencies.

The Tribunal is unanimously of opinion—

That there is no ground for awarding to the United States any sum by way of indemnity under this head

And whereas, in order to arrive at an equitable compensation for the damages which have been sustained, it is necessary to set aside all double claims for the same losses, and all claims for 'gross freights,' so far as they exceed 'net freights,'

And whereas it is just and reasonable to allow interest at a reasonable rate,

And whereas, in accordance with the spirit and letter of the Treaty of Washington, it is preferable to adopt the form of adjudication of a sum in gross, rather than to refer the subject of compensation for further discussion and deliberation to a Board of Assessors, as provided by Article X. of the said Treaty

The Tribunal, making use of the authority conferred upon it by Article VII of the said Treaty, by a majority of four voices to one awards to the United States a sum of 15,500,000 dollars in gold as the indemnity to be paid by Great Britain to the United States for the satisfaction of all the claims referred to the consideration of the Tribunal, conformably to the provisions contained in Article VII of the aforesaid Treaty.

And, in accordance with the terms of Article XI of the said Treaty, the Tribunal declares that 'all the claims referred to in the Treaty as submitted to the Tribunal are hereby fully, perfectly, and finally settled.'

Furthermore it declares, that 'each and every one of the said claims, whether the same may or may not have been presented to the notice of, or made, preferred, or laid before the Tribunal, shall henceforth be considered and treated as finally settled, barred, and inadmissible.

'In testimony whereof this present decision and award has been made in duplicate, and signed by the Arbitrators who have given their assent thereto, the whole being in exact conformity with the provisions of Article VII. of the said Treaty of Washington.

Made and concluded at the Hôtel de Ville of Geneva, in Switzerland, the 14th day of the month of September, in the year of our Lord 1872.

(Signed)

C F. ADAMS
FREDERIC SCLOPIS.
STAEMFFLI.
VICOMTE D'ITAJUBA.

CHAPTER V.

THE COMMERCIAL CRISIS OF 1866.

The Société de Crédit Mobilier.—Limited Liability Companies—Finance Companies—Finance Securities—Large Companies and their Results.—Overend, Gurney & Co Limited—Great Expansion of Trade—Drain of Bullion to the East—Fall of Money in London and other Places—Component Parts of the Rate of Interest.—The Supply of Capital in England.—The Demand for Capital in England—A Uniform Rate of Interest—Policy of the Bank of England—The Crisis of 1866.—Suspension of the Bank Charter Act—Comparison of the Crisis of 1866 with former Crises—Effect of the Government Letter on Credit at Home and Abroad—Mr. Watkins' Motion for a Royal Commission negatived.

ONE of the first objects which the Emperor Napoleon had at heart, after he strengthened his position, by the restoration of the empire, in 1852, was the revival of industry and commerce in France, which had long been languid and depressed, and for that purpose he greatly encouraged the formation of railways, and the incorporation of trading companies. Many were consequently the enterprises thereafter started, and great was the activity thereby introduced. Prominent, however, among the companies then formed was the 'Société de Crédit Mobilier,' the objects of which were to subscribe and acquire stock and shares in industrial enterprises, especially railways, canals, &c.; to issue obligations of the society to the extent at least of the amount invested by the companies formed for such purposes; to sell or give on security for advances the shares acquired by the society; to undertake loans, to lend on public securities, to open credits; to pay interest and dividends; in short, to do itself all that is usually done by a number of companies, and thereby to become immediately interested in and almost responsible for the success of enterprises undertaken by all the companies whose shares they acquired. The capital of the Société de Crédit Mobilier was fixed at 2,400,000*l.* and its issue of circulating paper at ten times that amount. The Société went vigorously to work. Many companies which would never otherwise have seen the light came into existence under its auspices. And for several years its profits were so very large, its deposits so considerable and its annual reports so enticing that it did seem as if France had discovered a new branch of business in the shape of finance companies well worthy of imitation in this country.¹

¹ See an able article 'On the Recent History of the Crédit Mobilier,' by Mr. Newmarch, F.R.S., *Journal of the Statistical Society*, vol. XXI p. 441.

As we have seen, the principle of limited liability, advocated as a means for encouraging the investment of capital in commercial adventures, was for the first time admitted by the English law in 1855; and certainly if we can test the success of legislation by the readiness with which it is adopted and acted upon by the community here is a case where the reform seemed to meet a decided want. Before 1856 almost every company formed was on the principle of unlimited liability. From that date and especially after the Acts of 1857, 1858, and 1862, which removed all obstacles to the adoption of limited liability in insurance banking, and any purpose, scarcely any company was constituted but with limited liability. An immense stimulus was given to joint-stock enterprises by the very fact that the losses could never exceed the amount which the investors at the time intended to risk. Holders of small means were glad to enter into commercial operations represented as most profitable. Many a private partnership was formed into a limited company, and many companies with unlimited liability were converted into companies with limited liability. Prominent among these were the Finance Companies.

Many of these companies, styled as the 'International Financial,' the 'London Financial,' the 'Imperial Mercantile Credit,' the 'Crédit Foncier et Mobilier,' the 'Joint-Stock Discount,' and others, were founded for purposes similar to those of the 'Société de Crédit Mobilier' of Paris, and adopted not a few of its objectionable features. Before this new agency came into existence no public works could be undertaken until shares were actually sold and sufficient capital was obtained for the purpose. But by the intervention of the finance companies the projectors of public works no longer needed to wait until the savings of the people were gathered. No sooner was a project started involving investments of millions, at home or abroad, than the finance companies agreed to indorse the bills of such companies, and debentures, bonds, stock, and preference shares were created and circulated as if the company had been actually in operation and the works were already in progress. The understanding of course was that the bills would be renewed from time to time; but what if by a sudden collapse of credit such bills could not be discounted? And on what were such bills founded? They represented no real value. As the 'Economist' stated: 'Such securities were a pure speculation on the future, and a speculation subject to one principal and many smaller casualties. Take the case of a railway: the line must be finished and placed in actual working before the obligations representing its cost can have any ascertained value at all. An unfinished railway or dock has no value whatever. In the second place the line must not only be finished and actually worked, but in order to impart value to the bonds and shares there must be a positive profit surplus. The difference

between securities such as these, wholly dependent on future and uncertain events, to happen at distant and irregular dates, and liable to become worthless by the premature stoppage of the undertaking, and the class of securities which long experience has shown to be best suited to the requirements of bankers and money dealers is not marked in its character, but so wide and glaring as to prepare any prudent person to expect mischief.

Of all finance companies, however, that which created the greatest interest was the 'Overend, Gurney & Co. Limited.' For many years the House of Gurney had been held in the highest estimation in the city of London, both on account of its reputed wealth and for its well-known business capacity. As a billbroker and a great discount house, the firm exercised an enormous influence in the financial transactions of the country, and certainly for upwards of sixty years it was in a position to afford facilities second only to those within reach of the Bank of England. Its profits were enormous. So late as 1860 the partners divided among themselves an annual sum of 190,000*l*. Unfortunately the two pillars of the house were removed: the head of the house, Samuel Gurney, died in 1856, and David Barclay Chapman retired in 1857, and their successors made considerable advances of a very doubtful character, which placed the firm in a position of difficulty. Finding themselves therefore in the possession of a well-established business, the goodwill of which was valued at half a million, yet wanting fresh capital, the representatives of the house resolved to convert the business into a limited liability, and having communicated the state of affairs to a select number of friends they jointly brought out a prospectus, and issued shares of 50*l*. each towards a capital of 5,000,000*l*. The public were of course altogether unacquainted with the condition of the house, and having no doubt respecting its wealth, eagerly accepted the offer, and 'Overend, Gurney & Co. Limited' took its place among the banking and financial companies of London.

The magnitude and worthlessness of many of the projects afloat might indeed have created alarm. In a few years as many as 300 companies were formed in the United Kingdom with a nominal capital of 1,000,000*l*. and upwards each, or an aggregate of 504,000,000*l*. And what became of them? Many existed only in the imagination; a fifth of them were abandoned before starting, and 87 more were speedily wound up. In a short time, out of 300 companies as many as 178 ceased to exist and 122 remained. And out of 504,000,000*l*. supposed to have been invested by these large companies more than two-thirds disappeared, some through bankruptcy, some through winding up, and some by a sudden disappearance from the market. Nor was the condition of the smaller companies more satisfactory. Many of the insurance companies and amalgamations were of a most unsatisfactory cha-

racter, and considerable doubt was entertained respecting a variety of undertakings stimulated by the facility of issuing shares provided by limited liability companies.

Side by side with the formation of these numerous companies there was a large development of every branch of commerce and industry in the United Kingdom. In 1856 the total value of imports was 172,000,000*l.* In 1860 it increased to 210,000,000*l.* and in 1866 to 295,000,000*l.* The exports, which in 1856 amounted to 139,000,000*l.*, rose in 1860 to 164,000,000*l.* and in 1866 to 239,000,000*l.* And as another evidence of buoyancy, numerous bills passed through Parliament authorising the construction of public works, requiring a capital in 1865 of 126,000,000*l.* and in 1866 of 175,000,000*l.* The demand of capital for investment both at home and abroad became very considerable.

But another circumstance must be taken into account as exercising considerable influence on the financial condition of the country, and that is the drain of the precious metals to the East. The balance of trade between India and the United Kingdom, or still more accurately between the East and West, has been for years in favour of the East; the imports of produce and manufactures into India and China being far less in amount than their exports. In 1841 the value of merchandise imported into India was 8,400,000*l.* and its exports 13,500,000*l.* In 1851 the imports were valued at 11,500,000*l.* and the exports at 18,000,000*l.* In 1861 the imports of merchandise into India amounted to 23,500,000*l.* and the exports to 33,000,000*l.* When, however, a sudden and extraordinary impetus was given in India to the growth of cotton for export, to supply the void created by the American insurrection, the disproportion of exports increased enormously; so that whilst in 1865 the imports of merchandise into India amounted to 28,000,000*l.* her exports were valued at 68,000,000*l.* This was an enormous difference, and unfortunately no other means existed for balancing it than the transmission of treasure, which in the case of India was always in the shape of silver.² What became of the silver in India, and why they prefer silver to gold, are important questions, not easy to solve. In any case, the drain of silver to India alone could not fail to exercise an enormous influence on the money market in England.

Given, then, a large number of joint-stock companies for banking, financial, assurance, and other purposes, involving the nation in liabilities at home and abroad for enormous sums, an excited state of trade increasing yearly at a rapid pace, a heavy drain of bullion to the East, and a considerable amount of specula-

² The exports of gold and silver to Egypt in 1862 was 12,629,830*l.*, in 1863, 12,289,433*l.* In 1864 the exports of the precious metals to France increased largely. In 1863 they amounted to 4,760,981*l.*, in 1864 they amounted to 9,921,524*l.*; and in 1865 to 10,555,361*l.* Gold was sent to France that France might send silver to India.

tion, and we cannot wonder if the value of money increased considerably and the financial condition of the country became in every way very critical. The first result of all this activity was a considerable increase in the rate of interest. It is a singular fact that, although in London there is always the largest amount of disposable capital, the rate of interest has for many years been higher there than in Hamburg, Francfort, Amsterdam, and Berlin. From 1855 to 1864, whilst the average rate in London was 4·57 per cent., in Hamburg it was 3·05, in Francfort 3·51, in Amsterdam 3·75, in Berlin 4·41 per cent. And the rate of interest was actually higher after the discoveries of gold in California and Australia than before. Divide the twenty years from 1844 to 1864 into four periods of five years each, and we have in the first period the average rate of 3*l.* 11*s.* 7*d.*; in the second 3*l.* 5*s.* 11*d.*; in the third 4*l.* 11*s.* 8*d.*; and in the fourth 4*l.* 15*s.* 3*d.* per cent.

The rate of interest, it should be remembered, is composed of three distinct elements. First, there is the interest proper, that is the natural produce, rent, or increment of capital; second, the insurance for risk; and, third, the expenses of management. The first depends in the same manner, as in the case of any other commodity, on supply or demand. The second varies with the state of credit and the class of securities. The third is great or small as the lender deals on a large or on a small scale, as the capital is dealt out from a great receptacle, like the Bank of England, or from the scanty resources of the smallest money dealer. The most important of these three, however, is the relation of supply and demand. Let it not be imagined that the supply of capital is indefinite, and that a banker has nothing to do but to issue paper currency to put into circulation to create any amount of capital. Capital is that portion of wealth already acquired which is appropriated to reproductive employment. When a bank lends notes to its customers it lends capital which it borrows from the community. In whatever form a loan takes place it always represents so much capital, either actually accumulated, or advanced on the mortgage of future accumulations.

In our highly developed system of banking most of the reserve fund of the country finds its way to the banks. Instead of each individual investing his spare money in a private and direct manner, the bankers become the intermediate agents between a numerous class of lenders and a numerous class of borrowers, and the funds held by them on deposit may be said to constitute by far the greater part of the available resources of our merchants. The amount of such deposits increased enormously in recent years. Those at the London joint-stock banks have grown from 180,000*l.* in 1836 to 12,000,000*l.* in 1850, 41,500,000*l.* in 1857, and to 90,000,000*l.* in 1865. The country and private banks may have had some 20,000,000*l.* more and the Bank of England had a very

large amount of public and private deposits, especially of bullion always on hand. And this may be said to be, generally speaking, the loanable or available capital for investment in the United Kingdom. Besides this there are always, of course, a vast stock of goods, a large amount of railway property, and foreign securities; but these are not available as a loan fund. Present liabilities cannot be discharged with them. That which regulates the rate of discount in England is the aggregate of the deposits and bullion on hand. This is what constitutes the supply of capital.

And what is the demand? First of all there is the large amount drawn for home and foreign trade. In a state of quietness and prosperity, even without any positive speculation there is a great deal of buying and selling. In expectation of higher prices the stock of merchandise is enlarged, and credit and currency are in proportionally increasing demand. Secondly, whenever large public works are undertaken they require the conversion of a considerable part of the floating into fixed capital, and consequently leave so much less for the general wants of trade. The formation of public companies for enterprises abroad has the effect of collecting large proportions of the savings of the people for investments in fixed property in different countries, and foreign loans have the same effect. In this manner, there are occasions when the demand made upon the floating loan fund is excessive, when enterprises are undertaken demanding capital far beyond the power of the country, and when therefore a strait takes place which is indicated by a very high rate of interest.

Bearing in mind these important economic facts which must regulate the value of capital, of which money is merely the symbol or representative, let us see what has been the policy pursued by the Bank of England on the subject. So long of course as the usury laws were in force, the current rate of interest gave no indication whatever of the value of money. From 1704 to 1837 the rate charged by the Bank of England seemed extremely steady; it was never higher than 5 per cent., nor lower than 4, but that was not what needy borrowers paid, nor was it any evidence of the firmness of the value of money. It was only when the incubus of the Usury Laws was removed that the rate began to represent the real value of capital. During the pressure of 1839 the Bank raised the rate to 6 per cent., at which rate it remained for several months. At one time an erroneous opinion obtained that the rate of interest might be kept pretty equal at the pleasure of the Bank of England. But the futility of the attempt was seen, and in 1844 a new era was inaugurated. It being vain to think of a uniform rate on the face of the constantly varying nature of money, the Bank of England then resolved to charge for its accommodation a rate of interest in direct relation to the supply and demand of money, taking the state of the reserves, which to a certain extent is the

index of the amount of unemployed capital, as its guide. It was objected that constant fluctuations are of great injury to trade, that an even rate of interest was a great desideratum, and that in any case for reasons of general policy and as a matter of prudence the Bank should never lower its rate below 4 per cent. But how can these fluctuations be avoided? Money as a commodity must necessarily be subject to perpetual change of value, and no restriction can make that value immovable.

The relation of the rate of discount to the reserve at the Bank of England having always been very direct, on the passing of the Bank Act the country was in a state of great prosperity, capital had largely accumulated and the reserve was large. It amounted to 9,032,000*l.* against 13,305,000*l.* deposits, or to 67 per cent. Consequently the rate of discount fell from $2\frac{1}{2}$ to 3 per cent. This gave great stimulus to speculation, and the mania for railways followed, which required large investments. Unfortunately the potato failure thereafter succeeded, which caused the necessity for a large importation of grain; and the result was, that on October 16, 1847, the reserves diminished to 3,071,000*l.* against liabilities on deposits of 15,072,000*l.*, being only 20 per cent., which rendered it necessary for the Bank to raise the rate to 8 per cent. From 1848 to 1852 the rate kept very low, in consequence of the discoveries of gold in California and Australia; and on May 1, 1852, there were 12,069,000*l.* reserve against 18,774,000*l.* liabilities, being in the proportion of 64 per cent. Again, however, from that time, under the operation of free trade, and in consequence of the opening of new markets, commerce largely expanded and investments increased. The Russian war demanded large sums for the Crimea. The East became more than ever entitled to large remittances for fibrous materials. The mutinies in India followed, and another crisis set in, when it was found that the reserve had diminished to 4,400,000*l.*, against liabilities of 21,860,000*l.*, or to only 20 per cent. And, consequently, the directors of the Bank increased their rate to 10 per cent. After this the rate declined, but it did not fall very low. For a short time only in 1859 the rate was $2\frac{1}{2}$ per cent., but it soon increased to an average of 5 per cent. in 1860, and to 6 per cent. in 1861. From 1862 till towards the end of 1863, the rate remained at from 3 to 4 per cent. When, however, in the week ending December 3, 1863, it was found that there remained only 6,400,000*l.* bullion and notes in reserve to meet a liability in deposits public and private and seven days bills, of 19,670,000*l.*, the rate was raised to 8 per cent. But matters did not seem to mend by such a step; the deposits, public and private, were increasing, the reserves still diminishing; and, in September 1864, the Bank was constrained to go higher than at any previous time, by fixing 9 per cent. as a minimum charge for accommodation :

and that had the desired effect, at least for a time. But the excessive demand of capital never ceased. Many of the joint-stock companies continued to work upon the credulous. The finance companies had a large amount of 'finance' paper on hand. The house of Overend, Gurney & Co. was established; and the day came when those who counted on the continuance of prosperity for maintaining their schemes afloat, found the usual channels of accommodation effectively and suddenly obstructed.

On Thursday, May 10, 1866, the state of commerce and finance appeared to be still at the very height of prosperity. On Friday, May 11, they were at the lowest depth of discredit and declension. 'About midday yesterday,' said the 'Times,' 'the tumult became a rout. The doors of the most respectable banking houses were besieged, more perhaps by a mob actuated by the strong sympathy which makes and keeps a mob together, than by creditors of the bank, and throngs, heaving and tumbling about Lombard Street, made that narrow thoroughfare impassable.' On the same day, a meeting of the committee of joint-stock banks was held, and a deputation waited on the Chancellor of the Exchequer with a request that he should authorise the Bank of England to issue interest-bearing post-bills at seven days or at thirty days, to any extent that might be deemed prudent. And, for the third time, the Bank of England was entrusted by Government with powers to exceed the limits in their issue imposed by the Bank Charter Act. In a letter to the Chancellor of the Exchequer, dated May 11, the governor and deputy governor of the Bank stated that they had advanced that day upwards of 4,000,000*l.* to bankers, bill-brokers, and merchants in London; that they commenced that morning with a reserve of 5,727,000*l.*, but they could not calculate upon having as much as 3,000,000*l.* in the evening; that they had not refused any legitimate application for assistance; and that, unless the money taken from the Bank was entirely withdrawn from circulation, there was no reason to suppose that that reserve was insufficient.

On the same day on which that letter was written, Earl Russell and Mr. Gladstone sent the following communication to the Bank, authorising, if need be, the departure from the Bank Act, and forthwith the following Treasury letter was issued:—

Downing Street, May 11, 1866.

Gentlemen,—We have the honour to acknowledge the receipt of your letter of this day to the Chancellor of the Exchequer, in which you state the course of action at the Bank of England under the circumstances of sudden anxiety which have arisen since the stoppage of Messrs. Overend, Gurney and Co. (Limited) yesterday.

We learn with regret that the Bank reserve, which stood so recently as last night at a sum of about five millions and three-quarters, has been reduced in a single day, by the liberal answer of the Bank to the demands of commerce during the hours of business, and by its just anxiety to avert disaster, to little more than one-half of that amount, or

a sum (actual for London, and estimated for the branches) not greatly exceeding three millions. The accounts and representations which have reached Her Majesty's Government during the day exhibit the state of things in the City as one of extraordinary distress and apprehension. Indeed, deputations composed of persons of the greatest weight and influence, and representing alike the private and joint-stock banks of London, have presented themselves in Downing Street and have urged with unanimity and with earnestness the necessity of some intervention on the part of the State to allay the anxiety which prevails, and which appears to have amounted, through great part of the day, to absolute panic.

There are some important points in which the present crisis differs from those of 1847 and 1857. Those periods were periods of mercantile distress, but the vital consideration of banking credit does not appear to have been involved in them as it is in the present crisis. Again, the course of affairs was then comparatively slow and measured, whereas the shock has in this instance arrived with an intense rapidity, and the opportunity for deliberation is narrowed in proportion. Lastly, the reserve of the Bank of England has suffered a diminution without precedent relatively to the time in which it has been brought about, and, in view especially of this circumstance, Her Majesty's Government cannot doubt that it is their duty to adopt without delay the measures which seem to them best calculated to compose the public mind, and to avert the calamities which may threaten trade and industry.

If, then, the directors of the Bank of England, proceeding upon the prudent rules of action by which their administration is usually governed, shall find that, in order to meet the wants of legitimate commerce, it is requisite to extend their discounts and advances upon approved securities, so as to require issues of notes beyond the limit fixed by law, Her Majesty's Government recommend that this necessity should be met immediately upon its occurrence, and in that event they will not fail to make application to Parliament for its sanction.

No such discount or advance, however, should be granted at a rate of interest less than 10 per cent., and Her Majesty's Government reserve it to themselves to recommend, if they should see fit, the imposition of a higher rate.

After deduction, by the bank, of whatever it may consider to be a fair charge for its risk, expense, and trouble, the profits of these advances will accrue to the public.

We have the honour to be, Gentlemen,

Your obedient Servants,

RUSSELL,

W. E. GLADSTONE.

To the Governor and Deputy-Governor
of the Bank of England

Doubtless 10 per cent. as a minimum charge for accommodation by the Bank of England had a most pernicious influence on business generally; but it was the only way by which an effectual check could be placed on speculative investments, and, so far, it was a wholesome restriction. So sharp, indeed, was its operation, that the Bank did not require after all to infringe the provisions of the Bank Act.

The operation of the different crises on the circulation and reserve of the Bank of England has always been rapid and important, and will be seen graphically represented in the diagram herein inserted. In 1847 the rate of interest rose from $5\frac{1}{2}$ per cent. on October 2 to 8 per cent. on the 23rd; at which rate it remained till November 20, when it fell to 7 per cent. In 1857, the rate rose from $5\frac{1}{2}$ per cent. on October 3; to 8 per cent. on the 24th; to 9 on November 7th; and to 10 per cent. on the 14th. But in 1866 the rate rose from 6 to 10 per cent. in three weeks, from April 25 to May 16. In 1856 the notes in circulation varied from 19,577,000*l.* on October 2 to 21,764,000*l.* on the 30th. In 1857 the circulation varied from 20,824,000*l.* on October 3 to 22,235,000*l.* on November 21. In 1866 it varied from 22,588,000*l.* on April 25 to 26,650,010*l.* on April 16. And the reserve of notes in 1847 was reduced to 1,176,000*l.*, in 1857 to 957,000*l.*, and in 1866, to 730,000*l.* As on other occasions, the value of securities in 1866 fell very considerably; but whereas, in former cases, the greatest depreciation took place in the value of commodities, some of which had reached speculative prices, in 1866 the greatest fall was in the value of shares in banking and other public companies.²

2	PRICES		
	1865	Jan 1, 1866	May 12, 1866
BANKS			
Agia and Masterman	86 pm	33 pm	1 dis
Alliance	$10\frac{1}{2}$ "	$4\frac{1}{2}$ "	10 "
Barnards'	—	Par	15 "
Bank of London	22 "	13 pm	$5\frac{1}{2}$ pm
Chartered, of India	15 "	$4\frac{1}{2}$ "	2 dis
Chartered, Mercantile of India .	60 "	22 "	9 pm
City	15 "	12 "	$5\frac{1}{2}$ "
Commercial, of India	7 "	5 "	No price
Hindustan	6 "	8 "	16 dis
Imperial	$14\frac{1}{2}$ "	$9\frac{1}{2}$ "	2 pm
Imperial Ottoman	7 "	$3\frac{1}{2}$ "	$1\frac{1}{2}$ dis
London and County	63 "	59 "	$47\frac{1}{2}$ pm
London Joint Stock	41 "	36 "	27 "
London and Westminster	80 "	77 "	70 "
Merchant Bank	7 "	$2\frac{1}{2}$ "	6 dis
Union of London	3 "	39 "	32 pm
MISCELLANEOUS			
Contract Corporation	1 dis.	9 dis	No price
Credit Foncier	$3\frac{1}{2}$ pm	$3\frac{1}{2}$ pm	$3\frac{1}{2}$ dis
Discount Corporation	3 dis	3 dis	13 "
Financial Corporation	$\frac{3}{4}$ "	No price	No price
General Credit	$3\frac{1}{2}$ pm	$2\frac{1}{2}$ pm.	2 dis
Imperial Mercantile Credit	$3\frac{1}{2}$ "	$2\frac{1}{2}$ "	10 "
International Financial	$2\frac{1}{2}$ "	1 "	$2\frac{1}{2}$ "
London Financial	9 "	1 "	$19\frac{1}{2}$ "
Joint Stock Discount	$\frac{1}{2}$ dis	1 "	Winding up
Oriental Financial	4 "	8 "	9 dis
Ottoman Financial	3 "	5 "	15 "
Smith, Knight and Co.	$1\frac{1}{2}$ "	14 dis	15 "

Moreover, whilst the panic was more sudden and rapid, the restoration of credit was very much slower in returning than after any former crisis. The high rate of 10 per cent. was maintained for upwards of three months—so long indeed that it began to be feared that it would itself operate as a discouragement to business and as an undue indication of fear and alarm. Not only at home, but even abroad, the bankruptcy of Overend and Gurney, the issue of the Government letter, and the maintenance of this high rate of discount, had a prejudicial influence. Foreigners could not understand the meaning of such a course. A vague rumour spread that the Bank of England was in danger, and a national bankruptcy almost imminent. And the apprehension so created was such that the Earl of Clarendon felt it incumbent on him to send a circular to the British embassies and legations throughout Europe accounting for the panic, and stating that ‘Her Majesty’s Government have no reason to apprehend that there is any general want of soundness in the ordinary trade of this country which can give reasonable ground for anxiety or alarm either in this country or abroad; they are satisfied, on the contrary, that the present crisis, peculiar and unprecedented as it is, is one of a character essentially more favourable than others which have been successfully passed through; and that all that is required is, that all classes should co-operate with the Government in endeavouring to allay needless alarm, and in acting with prudence and forbearance while so much agitation prevails. It appears to Her Majesty’s Government to be of great importance, that the commercial interests abroad should be reassured in regard to what is passing in this country.’ The losses produced by the crisis were enormous; the depreciation of prices and shares was very great, and the difficulty of disposing of securities almost insurmountable. But it ended at last, and matters returned to their ordinary course.

On July 31 Mr. Watkins moved in the House of Commons, ‘that a humble address be presented to Her Majesty, praying that she will be graciously pleased to issue a Royal Commission directed to the investigation of the causes which have led to the late severe and protracted pressure in the money market, and to the continuance for a long period of a minimum rate of discount of 10 per cent. at the Bank of England; and also to investigate the laws affecting currency and banking in the United Kingdom.’ The motion was seconded by Mr. Aekroyd, but the Government declined to accede, and after a night’s discussion the question was not further resumed. There was, indeed, nothing to do in the matter. The principle of the Bank Charter Act had been inquired into over and over again. The different schools of economists and financiers had failed to come to any agreement on its principles. The causes of the late panic were on the surface; the relief afforded

had the desired effect; and nothing more could be done. Sir Stafford Northcote, as President of the Board of Trade, said, 'Admitting, as I do, that there are inconveniences in the law as it stands, and that it is desirable, if you can do it, to alter the law so far as to get rid of those inconveniences, I think those inconveniences are as nothing compared with the disaster which would result from its being held out to the world, and the commercial public, that it is possible, by any remodelling of those portions of our law, to obviate the consequences of the imprudent and unsound trading of which, unfortunately, we must admit there has been too much. If we are to go upon the principle of softening, as far as possible, the consequences of men's imprudence to themselves and others, we must beware that we do not encourage that imprudence and over-speculation which we have so much reason to lament. In the great success of our commercial enterprises there is something that is fascinating to us, and we are easily carried away by the great power we have of making our large capital do the work of a much larger capital; and therefore it is particularly necessary we should impress upon the people of England now, that if we were everywhere to unshackle the limits of enterprise, there is too much danger of enterprise rapidly growing into insane speculation. If the Government were indifferent to the sufferings of the commerce of this country, no doubt they would be greatly to be blame. If they were unwilling to investigate the possible application of remedies so far as these sufferings were occasioned or aggravated by legislation, no doubt they would be greatly to be blamed. In my opinion, they would be still more to blame, if they were, by any action or language of theirs, to encourage the mischievous belief that it is possible to avert the consequences of reckless, imprudent, and unsound speculation by any measure tampering with our banking or our currency laws.'

CHAPTER VI.

INTERNATIONAL WEIGHTS, MEASURES, AND COINS.

Need of Uniformity in Weights, Measures, and Coins — Memorial of the Society of Arts for a Uniform System — Decimalisation of the Coinage — Formation of the International Decimal Association — Introduction of the Metric System of Weights and Measures — International Coinage. — Practical Achievements

BESIDES imparting a stimulus to industrial education, the international exhibitions have from the first directed attention to the importance of securing uniformity in the weights, measures, and coins of all countries. For purposes of commerce it would be decidedly convenient were one common system established. In ancient times the Latin tongue was the universal language of science. Amidst the jargon of the many hordes of barbarians who invaded Europe on the destruction of the Roman empire, men of science could speak to one another in a language common to them all. And so when we endeavoured to solve the problems of the industrial and scientific discoveries with which these great exhibitions abounded, the want came home to all of us of some ready means for mastering those instruments of calculation which enter so closely into the conception and execution of the works of art in every country. The evil arising from the great confusion in the weights, measures, and coins in use in all states had long been experienced. Men of science of all countries most liberally deposit fruitful seeds of thought and discovery in their memoirs and transactions that they may become the heritage of mankind, yet though reduced to the certainty of numbers they often fail to become fully available from the discordant method pursued in their exposition. With the great facility of communication by land and sea, with thought flashing through the air and penetrating the very depths of the ocean, and with a liberal commercial policy largely promoting the interchange of produce and manufacture between different countries, we must regret that we have a want of agreement in the instruments of exchange, which must arrest progress and in many cases absolutely prevent the increase of trade.

Happily the Society of Arts, whilst still fresh in the recollection of the glorious exhibition of 1851, seized the moment when public

attention was given in this country to the decimalisation of the coinage for generalising a question which had hitherto been apprehended solely from a national aspect, and from that moment the attainment of universal uniformity in such instruments of exchange ceased to be theoretical and utopian, and received the countenance of thoughtful and wise men of all countries. In their memorial to the Lords Commissioners of Her Majesty's Treasury in the year 1853 the Society of Arts, after urging the importance of a system of decimal coins, weights, and measures in advancing the arts, manufactures, and commerce of the country, pointed out how the growing intelligence and education of every people were sweeping away those feelings of personal antipathy which formerly existed, and how much the beneficent result would be increased by facilitating international relations; and that a uniformity in weights, measures, and coins would be of the utmost importance to commerce, and in weights and measures specially would greatly facilitate scientific research. They submitted, as a matter of grave consideration, whether, in introducing a change to a decimal system of coins, weights, and measures, some arrangements might not be made with neighbouring nations for the adoption of a uniform system throughout the world; that sooner or later such a system would be loudly called for by different nations, and the inconvenience of a second change might be obviated by a little judicious forethought; that it was worthy of the country which had inaugurated unrestricted commerce and unrestricted navigation, and which exerted by its exhibitions and its policy the most unrestricted competition, to make the first advances towards such a glorious result; and that there was nothing incapable of realisation in the idea, since several nations on the continent of Europe have already a common coinage, and the metric system of weights and measures is still more widely adopted.

The decimalisation of the coinage had for a considerable time been the subject of discussion. The commissioners for the restoration of the standards of weights and measures in 1840 summed up the advantages of it as follows: 'In our opinion the scale of binary subdivision is well adapted to the small retail transactions which seldom become the subject of written accounts, and which constitute a large part of the daily transactions in every country. The decimal scale, however, appears to us to be by far the most convenient for all transactions which become the subject of written accounts, and for all transactions of whatever kind in which great numbers of weights and measures are combined by addition or multiplication.' In 1847, Sir John Bowring moved for an address to the Crown in favour of the issue of silver pieces of the value respectively of one-tenth and one-hundredth part of a pound as a step to the complete introduction of the decimal system. And consequently the florin or two-shillings piece was soon after put into circulation. In 1853,

on the motion of Mr. William Brown, a committee of the House of Commons was appointed to take into consideration the practicability and advantages or otherwise that would arise from adopting the decimal system of coinage. And the committee reported that there was a concurrent testimony to the effect that the adoption of a decimal system would lead to greater accuracy, that it would simplify accounts, would diminish the labour of calculations to the extent of one-half and in some cases four-fifths; and by facilitating the comparison between the coinage of this country and other countries that have adopted the decimal system would tend to the convenience of all those who are engaged in exchange operations of travellers and others. The committee then recommended the retention of the pound as the unit, but the division of the same into ten florins, ten cents, and ten mils. The country, however, was not prepared for this measure and no step was taken on the subject till 1855, when Mr. William Brown moved resolutions expressing satisfaction at the issue of the florin and recommending the issue of silver coins to represent the value of one-hundredth part of a pound, and copper coins to represent the one-thousandth part of a pound, to be called cents and mils respectively. But the resolution in favour of the florin was only carried by a majority of 135 to 56, and that which advocated further progress in that direction had to be withdrawn. The next step was the appointment of a royal commission, three in number, to consider how far it might be practicable and advisable to introduce the principle of decimal divisions into the coinage of the United Kingdom, but no good result came from the commission. The commissioners disagreed: one (Lord Monteagle) withdrew from it, and the conclusions of Lord Overstone and Mr. Hubbard were unfavourable to any further advance.

In 1855 an International Association was established for the promotion of one uniform decimal system of weights, measures, and coins in all countries. And this association, after studying the comparative claims of the different systems of weights and measures in use throughout the world, resolved in favour of the metric on account of its scientific and international character. In 1862 a committee of the House of Commons was appointed on the motion of the late Mr. William Ewart to consider the practicability of adopting a single and uniform system of weights and measures, with a view not only to the benefit of our international trade, but to facilitate our trade and intercourse with foreign countries. With Richard Cobden among its members, animated by the general influence of the international exhibition, and aided by witnesses of the highest eminence from different countries, an international character was imparted to the whole of its proceedings, which could not fail to influence the final report. Accordingly the committee recommended that the use of the metric system should be rendered legal

in the United Kingdom, that the government should sanction its use in the levying of customs duties and in public contract, and that the gram should be used as a weight for foreign letters and books at the post office. And in 1864 an Act¹ was passed providing that, notwithstanding anything contained in any Act of Parliament to the contrary, no contract or dealing should be deemed to be invalid or open to objection on the ground that the weights or measures expressed or referred to in such contract or dealing are weights or measures of the metric system, or on the ground that decimal subdivisions of legal weights and measures, whether metric or otherwise, are used in such contract or dealing. A permissive measure is doubtless insufficient, but it was expected that this measure would lead sooner or later to the entire substitution of the metric system for the present practice.

Some steps have also been made regarding international coinage. On December 23, 1865, a monetary treaty was concluded between France, Belgium, Italy, and Switzerland, whereby their respective coinage, which was already in the main uniform, was rendered legal in all the states so agreeing. And in 1867, on the occasion of the Universal Exhibition in Paris, two congresses were held for the extension of the principles of such a convention, one of a voluntary character at the Palais de l'Industrie, and the other of an official character at the Ministry for Foreign Affairs, both of which substantially agreed as follows:—

1. That the adoption of a uniform system of coinage would offer advantages from the point of view of convenience and economy in the settlement of international exchanges, which cannot fail to commend it to every enlightened Government.

2. But that inasmuch as such measure cannot be realised unless many countries consent to sacrifice their ancient and customary instruments of commerce, and it is necessary, in their interest, that such change may be effected gradually, and in a continuous manner; and that, in the first instance, the change be as simple as possible, and free from all incidental complications, it would be well to aim at first to the following points, viz:—

- (a.) The coining by all Governments of a similar gold unit.
- (b.) The adoption by all of the same fineness, viz., $\frac{9}{10}$ fine, $\frac{1}{10}$ alloy.
- (c.) The issue of one piece at least of gold coin in each country of value equal to one of the coins used in the other countries.
- (d.) The adoption of the French system as a basis.
- (e.) The adoption of the piece of five francs in gold, requiring but trifling changes as a basis for multiples of such unit.
- (f.) The adoption of coins so coined as legal currency in all the contracting states.

¹ 27 & 28 Vict c. 117.

(g.) The adoption of a single standard, gold.

(h.) The adoption of common measures of control.

Since the holding of these conferences considerable progress has been made towards uniformity.

As regards weights and measures:—

In Germany, by the law of June 10, 1868, the use of metric weights and measures was rendered permissive from 1870, and compulsory from January 1, 1872.

In Austria, by the law of July 23, 1871, the use of metric weights and measures was rendered permissive from 1873, and compulsory from 1876.

In Sweden a bill was introduced for the adoption of metric weights and measures, but it was rejected on the ground that it was inconvenient so long as England, Denmark, and Russia do not adopt the same.

In the United Kingdom, though no real progress has been made since the passing of the Act of 1864, which legalised contracts made in terms of the same, the Act of 1878 legalised the use of metric weights and measures for scientific purposes, and authorised the Board of Trade to verify by metric weights and measures.

In Canada the use of metric weights and measures was made permissive in 1871.

In British India metric weights and measures were introduced in 1870, but the Act was not confirmed by the Home Government.

In the United States of America the use of metric weights and measures was rendered permissive in 1876.

As regards coinage, less has been done than as regards weights and measures.

In the United Kingdom, soon after the Conference alluded to, the British Government issued a Royal Commission to consider and report upon the proceedings of the International Monetary Conferences, and upon the recommendations of the same; but the report of the Royal Commissioners was unfavourable to the special scheme—

1. Because France and the other parties to the Monetary Convention of 1865 still maintained a double standard.

2. Because the proposed plan, whilst providing for the identity of certain coins issued in uniformity with the proposed monetary system, no uniformity would be introduced in the subordinate coins; for example, the 25f. and the pound would be equal, but the shilling and the franc, the cent and the mill of different countries would have nothing in common.

3. Because the advantage of this mutual co-ordination of systems and identity of certain coins was not sufficient to justify England changing the pound sterling, which has remained at the same identical weight of 113·001 grains pure gold since 1714.

The proposal to charge a seignorage in England equal to the

difference, to be also charged in France and other countries, though perfectly just in principle, was not deemed a satisfactory mode of overcoming the difficulty. Unfavourable, however, as the report was to the special scheme, the Commissioners said, 'We entertain no doubt that a uniform system of coins bringing into harmony the various standards of value and moneys of account, alike in the higher denominations and their lower subdivisions, as well as an uniform system of weights and measures, would be productive of great commercial advantage.'

Germany, which had an excellent opportunity in the introduction of a new system of coinage in 1871,² adopted a gold coin $\frac{9}{10}$ fine gold and $\frac{1}{10}$ alloy; but introduced no unit in relation to the French system, and though it has approached to the English, it is by no means identical with it. Thus—

	Grammes of Gold
The Half Eagle is	7 52
Sovereign, United Kingdom . . .	7 32
25 Franc, France (proposed) . . .	7 26
20 Marc piece, Germany . . .	7 16

The expediency of issuing in all countries a gold coin of the value of 25 francs, and of adopting gold as the sole standard of value, was submitted to a searching inquiry in France. In 1870, the High Council of Commerce discussed the questions—1. Would the coinage of a 25 franc gold piece be useful? 2. Would the adoption of a single gold standard be preferable to the existing double or alternate standard of gold and silver? and, 3. In case of affirmative in favour of the single standard, what measures should be taken with regard to the 5 franc piece? The Council, by a majority, decided in favour of the 25 franc piece being coined to a limited extent. Also, in favour of the single gold standard, and the discontinuance of the coinage of the silver 5 franc piece. But no action was taken on those resolutions. But the Convention of December 23, 1865, for fifteen years, being about to expire, another conference was held in Paris, in October 1878, of delegates from France, Belgium, Switzerland,

² The Coinage law passed by the Imperial Parliament of Germany on December 4, 1871, provided for the coinage of an Imperial gold coin, of which 139½ pieces shall contain a pound of fine gold; that the tenth part of this gold coin be named a mark and be divided into one hundred pfennings. That there be struck also Imperial gold coins of 20 marks, 69½ pieces of which shall contain a pound of fine gold. That the mixture of alloy in the gold coin be in the proportion of 900 parts of gold to 100 parts of copper. That all payments which by existing law are made in silver money may be effected in Imperial gold coins. Silver coins were not demonetised by this law, but by a law of July 9, 1873, the Imperial gold currency was made to take the place of the various currencies then legal in Germany belonging to the separate states. From the passing of this law in 1871 to the end of 1878 the total amount of Imperial gold coin struck was 101,305,291*l*, including 17,662,301*l* coined on private account. The total amount of silver coin struck was 21,355,544*l*, and of nickel and bronze pieces 2,237,813*l*. The sale of silver bars produced from old silver coin withdrawn from circulation reached 108,138,956 ounces troy.

and Italy, the parties to the Latin Union, when certain changes in the arrangements of 1865 were agreed to, and a new convention was signed to remain in force till January 1, 1886, and, unless denounced before that date, to be considered as renewed from year to year by tacit agreement.

A monetary conference was held at Vienna in 1873, at which resolutions were passed in favour of a single gold standard, and of an international piece of $7\frac{1}{2}$ grammes of fine gold, with an international unit of a metric dollar of $1\frac{1}{2}$ grammes, divided into 100 cents.

In Holland the proposal to adopt a single gold standard is still under consideration.

In Sweden, Denmark, and Norway a single gold standard has been adopted.

In the Duchy of Finland (Russia) by decree of August 9, 1877, the unit of coinage was fixed to be a gold 10 mark piece identical in weight, fineness, and value with the French gold 10 franc piece, the silver mark being decimalised.

In Spain, in addition to the 25 peseta or 25 franc gold piece, a gold 10 peseta piece has been coined.

A gold piece of 310 to a kilogram and $\frac{9}{10}$ ths fine has already been coined or made legal tender in France, Italy, Switzerland, Belgium, Greece, Austria, Hungary, Sweden, Denmark, Norway, Finland, Roumania, and Spain.

The United States of America, after having adopted in 1873 the gold one dollar piece as the unit of value, omitting all mention of the silver dollar, in February 1877, adopted practically the double standard by allowing silver dollars to be coined weighing $412\frac{1}{2}$ grains of Troy standard, and to be legal tender at their nominal value for all debts, public and private, the amount invested in silver bullion not to exceed 5,000,000 dollars per month. And further, 'requested the President to invite the Latin Union and such other European countries as he may deem advisable to join the United States in a Conference to settle the common rates between gold and silver, to establish internationally the use of bi-metallic money, and secure fixity in the relative value of these metals.'

The Conference was accordingly held in Paris in August 1878, and was attended by delegates of the United States, Belgium, Switzerland, Italy, the United Kingdom, and other states, under the presidency of M. Léon Say. At the Conference the delegates from the United States submitted the following propositions:—

'1. It is the opinion of this assembly that it is not to be desired that silver should be excluded from free coinage in Europe and the United States of America. On the contrary, the Assembly believes that it is desirable that the unrestricted coinage of silver, and its use as money of unlimited legal tender should be retained

where they exist, and, as far as practicable, restored where they have ceased to exist.

‘2. The use of both gold and silver as unlimited legal tender money may be safely adopted.

‘First. By equalising them at a relation to be fixed by international agreement.

‘Secondly. By granting to each metal, at the relation fixed, equal terms of coinage, making no discrimination between them.’

To these propositions the following amendment was proposed:—

‘The Conference wish to express their sincere thanks to the Government of the United States of America for having procured an international exchange of opinion upon a subject of so much importance as the monetary question.

‘Having maturely considered the proposals of the delegates of the United States, the Conference recognises:—

‘1. That it is necessary to maintain in the world the monetary functions of silver, as well as those of gold, but that the selection for use of one or the other of these two metals or of both simultaneously, should be governed by the special situation of each state or group of states.

‘2. That the question of the restriction of the mintage of silver should equally be left to the discretion of each state or group of states, according to the particular position in which they may be placed; and the more, in that the disturbance which in recent years has been produced in the silver market has variously affected the monetary situation of the several countries.

‘3. That the differences of opinion which have appeared, and the fact that even the states in which the double standard exists find it impossible to enter into any engagement with regard to the unlimited coinage of silver, preclude the discussion of the question of establishing an international relation of value between the two metals.’

These resolutions were agreed to by all the representatives except those from Italy and the United States, and may be said to represent the general views on the subject.

The countries using gold and silver respectively and gold and silver conjointly as a double standard may be ranged as follows:—

Gold	Silver	Gold and Silver	
England	Russia	*France	Roumania
Germany	Egypt	*Belgium.	*The United States
Portugal	China	*Switzerland.	Austria.
Denmark.	India	*Italy	Chil.
Sweden	Mexico	Spain.	Uruguay.
Norway		Greece	*Holland.
Australia			
Brazil.			

* The coinage of silver is suspended or restricted within narrow limits.

Whatever difficulty may yet exist to the full realisation of a uniform system of weights, measures, and coins, it must be allowed that much has already been accomplished in that direction. The metric system of weights and measures is in compulsory use in countries with an aggregate population of 186,000,000, comprising France, Holland, Belgium, Greece, Spain, Cuba, Porto Rico, Portugal and her colonies, Italy, Roumania, Switzerland, Chili, Ecuador, Uruguay, Brazil, Mexico, the Argentine Confederation, New Granada, and Peru. And, in addition, other countries with about 200,000,000 more people, including the whole of our possessions in India and in the United States of America, and the United Kingdom, have partially, or in a permissive manner, adopted the same metric system. In respect to the coinage also considerable advance has been made towards unification. Whilst France, Belgium, Italy, and Switzerland have, by the monetary convention of 1865, agreed upon one uniform system, Austria, Spain, and Portugal have to some extent adapted their coinage to that of the convention. It is no exaggeration to say that at this moment 400,000,000 persons have come to an agreement upon one system of weights and measures and 100,000,000 as to one system of coinage also. Viewed from the light of social and commercial requirements we may lament the slow progress of these economic reforms, yet when we compare periods sufficiently distant there is reason to be thankful that so much has been achieved, and that the barbarism of so many conflicting customs is gradually giving place to a scientific and uniform system.³

³ Among the works on International Coinage, the question of Seignorage and Double Standard, are a collection of Speeches, Letters, Articles, &c, on the Gold Coinage Controversy of 1869, published for private circulation only by the Bank of England—*L'Or et l'Argent, Question monétaire, Memoire*, par M. Wolowski; *La Monnaie bimétallique*, par M. Henry Cernuschi; M. Michel Chevalier in the *Revue des Deux-Mondes*, April 1876, and M. Cernuschi on *Bimétallisme*, 1876. Also Professor Jevons 'On the Condition of the Metallic Currency of the United Kingdom,' *Journal of the Statistical Society*, vol. xxxi, 426, Mr. Nicholson's *Observations on Coinage* and on *Our present Monetary System*; Mr. Ernest Seyd's *Bulhon and Foreign Exchanges*, the *Reports on the International Monetary Conferences*, the *Papers and Reports of the International Association for promoting a uniform Decimal System of Weights, Measures, and Coins*, and Mr. Frederick Hendrik's Evidence before the High Council of Commerce of France (*Journal of the Statistical Society*, vol. xxxiii p. 392), and *Report of the Royal Commissioners on International Coinage*.

CHAPTER VII.

THE SUEZ CANAL.

Communication with India — The Peninsular and Oriental Company — Proposal of the Suez Canal — Objections and Opposition to the same — Constitution of the Company — Its relation to the Khedive — Sale of Shares to the British Government

THE introduction of steam power greatly facilitated communication with India, and quite a new era was opened when the Peninsular and Oriental Steam Navigation Company established their line of large and powerful steamers, and organised the well-known Overland Route, which is to this day a perfect marvel of order and luxury. By a sailing-ship, round the Cape of Good Hope, a traveller took about four months to go from London to Calcutta. By a steamer, all the way, the journey could be performed in ninety-four days, still a long journey, much time being wasted at the coaling stations. By the Overland Route, a mixture of land and sea, the time occupied was only forty days; and what a contrast was there between the old and new method of communication in all that constitutes economy, despatch, and certainty, the most essential elements of commercial success! But what hindered the establishment of a direct sea route by the Red Sea, without going round all the continent of Africa? Just a slip of land dividing the Mediterranean from the Red Sea. Cut it, or pierce it, and the way is clear to make an enormous saving in the communication between the East and the West. Now, this is what M. Lesseps did by the construction of the Suez Canal.

A canal facilitating the traffic between Egypt and Arabia existed from the remotest times, as attested by Strabo and other writers, uniting, not the Mediterranean, but the Nile valley, with the Red Sea, but it had long ago fallen into disuse. The idea of constructing such a canal first came into M. Lessep's mind when residing in Egypt, and from that time he studied the question in all its aspects. To cut a canal through the isthmus of Suez, to unite the Mediterranean with the Red Sea, seemed a simple and feasible idea; but there are always, when new undertakings are proposed, not a few ready to find all manner of difficulties, and to exaggerate the smallest obstacle. The Canal, they said, will be a

stagnant ditch ; it will be a wild, unmanageable current ; it will silt up with the deposit of the Nile ; it will be filled by the sand of the desert ; the bitter lakes, through which it is to pass, will be filled with salt ; the navigation of the Red Sea is dangerous ; the shipping will never be able to approach Port Said ; was ever a more foolish proposal made?—Impossible ! Worse, however, than such detractors were the political jealousies and opposition which such a canal immediately awoke, especially among influential personages in Great Britain. The canal, it was said by such, is projected expressly with the intention of transferring from England to France the trade of the East, so that Marseilles may become nearer than London, and French influence supreme in Egypt. Its aim is the barring of the Nile to any Turkish army which may be employed to restore the empire of the Sultan. Should the Pasha of Egypt, at any time, wish to sever the connection between Turkey and Egypt, and to erect Egypt into an independent state, the possession of such a barrier, defended, it may be, by foreigners, would render any attempt upon Egypt most precarious. And surely England cannot allow the detachment of Egypt from Turkey. It is *not* to her interest that there should be open between the Mediterranean and the Indian Ocean a water passage at the command of either Power, and not at the command of England.

About twenty years ago Mr. Roebuck, with characteristic boldness, moved in the House of Commons a resolution to the effect that the power and influence of England ought not to be used in order to induce the Sultan to withhold his assent to the project of making a canal across the isthmus of Suez ; and he expressed an opinion that the interest of mankind was the interest of England also. But Lord Palmerston, with characteristic boldness, answered, that if it might be too much to say that the project could not be carried out at an enormous sacrifice of money and human life, as a remunerative commercial enterprise it was nothing more than a mere bubble. Side by side with Lord Palmerston's political objection came also Mr. Stephenson's engineering difficulties. Assuming to speak for himself and the English engineers, 'who,' he said, 'all agreed with him to a man,' he wondered at the idea of cutting a canal through a desert eighty miles in length, with no fruits and no fresh water to be found within that space. He had travelled on foot the whole distance, at least over all the dry land, and he could assert that, as far as the transit of passengers and mails was concerned, the proposed scheme would be productive of no saving of time in our intercourse with India. In his opinion, if it was not absurd, it was, at all events, an impracticable scheme.

With wonderful persistency and confidence, however, M. Lesseps gave no heed either to opposition or contumely. Thwarted by the British Government, he found a natural support in the French.

Mr. Stephenson may have thought the scheme impracticable, but Sir John Hawkshaw, and other engineers, in France and England, were as certain of its success; and if British politicians were jealous of the influence the Suez Canal might give to France, British merchants had wisdom enough to see that trade would benefit from it, whilst the British Chambers of Commerce were unanimous in not only disclaiming any share of the opposition, but commending the scheme to the active support of the British Government. And so M. Lesseps triumphed, and the Suez Canal is a decided success, all evil prognostications notwithstanding.

Upon the testimony of Captain Richard, who was sent by her Majesty's Government to report to what extent the canal may be expected to be available for the purposes of her Majesty's naval service, including the transport service to and from the East, it has become evident that the Suez Canal is for a certain class of vessels a convenient mode of passage from the Mediterranean to the Red Sea, and it will be so to a greater extent when the same is somewhat enlarged. It is available for the transit of ships employed in the Eastern Seas, with the exception of the large ironclads and other exceptionally heavy vessels. And the cost of maintenance will not exceed the amount estimated for it when the work was first projected. The anticipated difficulty that the large quantity of deposit constantly carried eastward from the Nile would rapidly pile up against any artificial barrier that might be constructed, and form a shoal across the entrance of the canal, has proved quite groundless. The fresh-water canal between the Nile at Cano and Ismaila was completed. The difference of level of the two seas is, if any, inappreciable. There is no difficulty of approaching Port Said by steamships. And the impression which once prevailed, that the navigation of the Red Sea is difficult and dangerous, has been found to be quite erroneous. In every respect the hopes and anticipations held out by M. Lesseps have been fully established and verified.

Nor have the finances of the enterprise disappointed those who boldly entered into the venture. M. Lesseps obtained the first concession in November 1854, and the second in January 1856; the society was established in January 1858; the works were commenced at Port Said on April 25, 1859, and the canal opened on November 17, 1879. From the very first the canal was to have no political character. The name was to be 'The Universal Company of the Maritime Canal of Suez.' The company was to consist of capitalists 'of all nations.' The certificates of shares and debentures were to be in Turkish, German, English, French, and Italian. The tariff of passage dues was to be *alike* for all nations, none being allowed to have any exclusive advantages. The canal was to be always open as a neutral passage to every mercantile vessel, 'without distinction or preference.' Everything was done to

invite capital from all countries, yet the English would not invest in it, and the amount was obtained mainly from the ex-Khedive and French capitalists. The original capital was to be 8,000,000*l.*, but that proved far from sufficient. Therefore 4,000,000*l.* was obtained in loan in 1867, repayable in fifty years, and 800,000*l.* in 1871, repayable in thirty years. From first to last the canal cost nearly double the amount at first contemplated, the sum total being 19,000,000*l.*, of which there are 14,000,000*l.*, in shares and loans, and 5,000,000*l.* in different ways obtained, on which interest has to be paid.

But what were the results of the undertaking as respects receipts. The success of the canal depended on the amount of traffic it would attract, the company charging 10 francs per ton on all shipping passing the canal, plus a surtax of 3 francs per ton to be levied temporarily, and subject to reduction to 2½ francs, 2 francs, and less, until the tonnage passing through the canal reached 2,100,000 tons and upwards. The canal was opened on November 17, 1869, and by an annual and rapid increase, the net tonnage rose from 435,911 tons in 1870 to 3,291,535 tons in 1878, the receipts having risen from 200,000*l.* in 1870 to 1,200,000*l.* or thereabout in 1878. In 1878, whilst the total expenses for maintaining the canal interest and sinking fund amounted to 675,000*l.* the income amounted to 1,299,000*l.*, so that after the shareholders and all debenture holders received their 5 per cent. interest, a small balance of profits was left destined to become still larger from year to year—a result in every way satisfactory.

The relations between the company and the late Khedive were not very smooth. According to agreement, if the company at any time surrendered certain lands and privileges, including the employment of forced labour, the Egyptian Government would be bound to pay to the company 30,000,000 francs, by giving up sufficient coupons on the 176,602 shares held by the Khedive, sufficient to cover the amount in capital and interest. The company did surrender such land and privileges, and the Khedive gave up the coupons. Afterwards, the company wishing to utilise the capital thus represented, issued titles or delegations of coupons for the same, which were specially subscribed to by shareholders. But the Khedive refused his approval of the transaction, and it became a question, whether the Khedive by the transfer of the coupons for a number of years had not ceased for the time being to be a proprietor of the canal, and thereby lost his title to attend the meetings and to vote.

Next came the question whether the company itself would be subject to Egyptian or French tribunals. The Concession said, that the society, being constituted with the approbation of the Egyptian Government, as an anonymous company, would, by analogy to such societies in France, be regulated by French law ;

that though the society had its seat at Alexandria, it elected Paris as its domicile; that any dispute between its members should be brought before the Court of Appeal in Paris; and that all disputes or claims against the Egyptian Government should be brought before the local courts. A dispute having arisen respecting the tonnage dues, M. de Lesseps pleaded before the Tribunal of the Seine that the company was Egyptian, and subject only to the authority of the Porte. Yet in another case of a disputed claim against the company, M. Lesseps contended that the company was only amenable to be sued in the French Consular Court, the term 'local tribunals' meaning, in his opinion, the Consular Courts and at Alexandria. Is the company then to be considered French, Egyptian, or International? No final judgment has been given on such questions, but their course has been watched with great jealousy, both in France and England, and they gave rise to the impression, that once the success of the enterprise was secured, it might become almost a necessity for the states interested to place the undertaking on a safer basis than that of a commercial company, liable to be influenced by personal considerations, or to be at the mercy of political ambition.

As far back as 1871 it had been intimated to the British Government that M. Lesseps and the company were willing to sell the canal to the maritime powers for 12,000,000*l.*, and the payment of the shareholders' dividend, and it was stated that M. Thiers and M. Rémusat had approved of the proposal. It was even suggested that the Italian Government should propose a conference of representatives of the Powers to consider the question of the purchase of the canal, and arrange for freeing commerce from the dues by compensating the company. The Porte, however, objected *ab initio* to the formation of an international administration on Ottoman territory, and nothing came of the proposal. More than once, however, Lord Derby stated that his opinion was favourable to a transfer of the property of the canal to an international commission, on such terms that all the Governments should have its advantages on condition of equality. But the negotiations upon this particular were quite suspended when Her Majesty's Government were informed, in November 1875, that the Khedive being absolutely in want of 3,000,000*l.* to 4,000,000*l.*, was prepared to sell his interest in the Suez Canal to certain French capitalists. Immediately on the receipt of such intelligence Her Majesty's Government telegraphed to Alexandria that they would be ready to purchase the shares on satisfactory terms, and so in a few days an agreement was entered into to the effect that for 100,000,000 francs or 4,000,000*l.*, Her Majesty's Government would purchase the shares belonging to the Khedive, that Messrs. Rothschild would pay on the account of the British Government 1,000,000*l.* on December 1, on the landing of the shares, and 3,000,000*l.* in

December and January. In due time the shares arrived. The amount was paid and the British Government became a large holder of shares in the Suez Canal.

The Suez Canal is a marvel of engineering skill, and is another illustration of the power of the combination of energy, skill, and capital. Nor can it fail to give considerable stimulus to similar works, such as the Paumben Canal, to obviate the navigation of the dangerous route between Ceylon and the Mainland of India, and a canal to separate the continents of North and South America, allowing a free navigation between the Atlantic and the Pacific Ocean. We are, indeed, marching farther and farther in the way of economic progress, and we may expect greater and more rapid strides in the means of international communication by land and by sea.

CHAPTER VIII.

COMMERCIAL AND ECONOMIC PROGRESS, 1860-1870.

Causes affecting Trade—Increase of Population.—Consumption of Articles of Food and Drink—Increase of Commerce—Amount of Bank Deposits.—Transactions of the Clearing House—Increase of Property assessed to Income Tax and in the Capital of Savings' Banks—Statistics of Factories—State of British Finances—The Coinage Act.—Treaties of Commerce.

THE decennium 1860-70 commenced under two opposing influences. On the one hand, there was considerable suffering in Lancashire, consequent on the restricted supply of cotton from the United States of America, on the other there was great activity in the trade with France and other European states, consequent on the conclusion of the treaties of commerce. The Act of 1862, on Joint Stock Companies, gave considerable stimulus to the formation of companies, and a buoyant spirit ensued which led to the commercial crisis of 1866. Some time elapsed after that crisis before confidence revived, and trade was scarcely restored to its wonted activity when the Franco-Prussian War produced a most discouraging and paralysing influence. Notwithstanding, however, all unfavourable circumstances, much progress is visible in the economic progress of the nation during the ten years.

The population of the principal towns increased as follows:—

—	1861	1871	Increase per cent
London	2,804,000	3,254,000	16·04
Birmingham .	296,000	344,000	16 21
Bradford .	106,000	146,000	37 33
Belfast .	122,000	174,000	42·63
Bristol . .	154,000	183,000	18 83
Glasgow	396,000	477,000	20·45
Leeds . .	207,000	259,000	25 21
Liverpool, with West Derby.	460,000	521,000	13 26
Manchester, with Salford .	441,000	476,000	7 93
Newcastle-on-Tyne . .	109,000	128,000	17 43
Nottingham .	75,000	87,000	16
Sheffield . .	185,000	240,000	29·73
Wolverhampton . .	61,000	68,000	11·47

The population of the United Kingdom increased as follows:—

—	1861	1871	Increase per cent	Decrease per Cent.
England and Wales	20,228,000	22,856,000	12·99	—
Scotland	3,097,000	3,393,000	9 55	—
Ireland	5,850,000	5,449,000	—	6·85
Isles of the British Sea	146,000	147,000	0 68	—
	29,321,000	31,845,000	8·60	—

The economic condition of the people may be judged from the consumption of the principal articles of food and drink:—

—	1860 per head	1870 per head	Increase per cent
Bacon and hams, lbs	1 27	1 98	55 90
Butter	3 26	4 15	30 36
Sugar, raw	33 11	41 40	25 03
Tea	2 67	3 81	42 69
Tobacco	1·22	1 34	9 83
Wine, gallons	0 23	0 49	113 06
Spirits, British	0 74	0 74	—
Malt, bushels	1 45	1 84	26 89

The amount of trade greatly increased. In 1860 the exports of British produce and manufacture were valued at 135,891,000*l.*, or in the proportion of 4*l.* 14*s.* 7*d.* per head. In 1870 they amounted to 199,586,000*l.*, or in the proportion of 6*l.* 7*s.* 11*d.* per head. The total trade of the United Kingdom increased as follows:—

(,000 omitted)				
Year	Imports	Exports. British, Foreign, and Colonial	Total	Proportion per Head
	£	£	£	£ s d.
1860	210,531	164,521	375,052	13 0 7
1870	303,257	244,081	547,338	17 10 10

As an evidence of the increase of capital, the following is the amount of deposits held by the London Joint Stock Banks:—

Bank	1860	1865	1870
	£	£	£
London and Westminster	12,484,454	20,779,301	21,986,196
London Joint Stock	10,562,658*	18,215,358*	17,315,027*
Union Bank	10,352,703	17,794,263	11,207,634
London and County	5,532,614	12,851,815	13,396,251
City Bank	2,468,560	4,859,720	2,436,186
Bank of London	1,697,389	—	—
National Bank	—	7,008,864	5,540,543
Metropolitan	—	—	542,999
Consolidated	—	3,818,000	2,341,817
Alliance	—	2,504,168	1,351,165
Imperial	—	1,348,281	1,529,172
London and South Western	—	577,308	542,430
Total	43,098,378	89,752,078	78,189,420

* Including acceptances.

In 1867 the Committee of Bankers determined to ascertain and publish the total daily amount passing through the clearing house. An attempt was made to obtain the amount cleared in 1839, when it was found that the average for each day of the week was 18,400,200*l.*, or omitting the 4th of each month and settling days, 17,146,400*l.* In 1867–68 and subsequent years, the results were as follows :—

	(,000 omitted)			
	Total for the Year £	On Fourth of the Month £	On Stock Exchange Account Day £	On Consols Settling Days £
1867–68	3,257,411	147,113	444,443	132,293
1870–71	4,018,464	186,517	635,946	169,141

Considerable increase is observable in the amount of income assessed to income tax, as follows :—

(,000 omitted)				
Schedules	1860	1870	Increase per cent	Decrease per cent
A Lands and Tenements .	£ 138,951	£ 146,526*	5 45	—
B Occupation of Land .	52,003	58,007	11·53	—
C Annuities and Dividends	29,701	35,700	20 20	—
D Professions and Trades	95,439	178,379*	87 36	—
E Public Offices, Pensions	19,094	26,301	37 69	—
	335,188	444,913	37 72	—

* The assessments on quarries, mines, fisheries, canals, railways, gasworks, &c, were transferred from Schedule A to Schedule D from April 5, 1866

The amount of capital held by the Trustees Savings' Banks greatly increased, and in 1863 the Post Office Savings' Banks were established. In 1860 the amount held by the Trustees Savings' Banks was 41,259,000*l.* In 1870 that amount was reduced to 37,959,000*l.*; but in the latter year the Post Office Savings' Banks held 15,099,000*l.*, making the total of 53,058,000*l.* The amount expended in actual relief of the poor in England and Wales, which in 1860 was 5,495,000*l.*, increased in 1870 to 7,644,307*l.*, while the number of paupers increased from 851,020 in 1860 to 1,079,391 in 1870.

The following figures indicate the progress of our textile manufactures :—

—	Factories		Spindles		Persons employed	
	1861	1871	1861	1871	1861	1871
Cotton .	2,887	2,665	30,387,467	37,515,772	451,569	479,515
Woollen .	1,679	1,880	2,182,609	3,165,569	86,983	134,605
Worsted .	532	692	1,289,172	2,182,792	86,063	142,097
Flax .	399	449	1,216,674	1,473,800	87,429	128,459
Silk .	771	818	1,338,544	1,114,703	52,429	45,559
	6,268	6,504	36,414,466	45,452,636	764,473	930,235

The finances of the United Kingdom were affected by the Treaty of Commerce with France. Mr. Gladstone was Chancellor of the Exchequer in the second Palmerston administration of June 30, 1859, and his first budget in 1860 provided for the repeal of all duties on butter, cheese, eggs, rice, and silk manufactures.¹ He proposed also the repeal of the excise duty on paper, but that gave occasion to a question of privilege between the two Houses of the Legislature, and the question was not disposed of till the following year, when the duty on paper was abolished. The customs duties on sugar were reduced in 1864, and the duty on tea reduced in 1865. During Mr. Gladstone's financial administration, which lasted till 1865, the revenue averaged 70,000,000*l.*, and, excepting 1860 and 1861, the budgets exhibited an annual surplus. The Funded Debt was reduced from 785,962,000*l.* in 1860 to 775,768,295*l.* in 1865. For a brief period of two years, in 1866 and 1867, Mr. Disraeli was Chancellor of the Exchequer, during which the finances remained in a sound condition. In October 1867, Mr. Gladstone's administration was formed with Mr. Lowe as Chancellor of the Exchequer. In 1870 the gross revenue amounted to 75,434,252*l.*, and the expenditure was 68,864,752*l.* On that year the Funded Debt was 741,112,640*l.*

In 1870 an important Act² was passed to amend the law relating to the Coinage and Her Majesty's Mint, whereby all coins made at the Mint must be of the weight and fineness specified in the schedule of the Act, the same to be legal tender in the case of gold coins for the payment of any amount, in the case of silver coins for a payment of an amount not exceeding forty shillings, and in the case of bronze coins for a payment of an amount not exceeding one shilling. Any person bringing to the Mint any gold bullion may have the same assayed and coined without any charge.³ The Chancellor of the Exchequer for the time being was made Master Worker and Warden of Her Majesty's Mint.⁴

¹ The number of articles and subdivisions of articles charged with distinct rates of import duties in the customs tariff was as follows:—

1840	1,046	1855	396
1844	1,098	1860	143
1845	589	1865	133
1850	503	1869	65

² 33 Victoria c 10

³ The free coinage of gold was introduced in 1666 under the Act 18 Charles II. c. 5. The Act was made perpetual by the Act 9 Geo. III. c. 25. Important changes have been made in the constitution of the Mint. In 1851 the contract with the melters and moneyers was put an end to. Till 1851 the proceedings of the Mint were regulated by Indentures between the Crown and the Master of the Mint. From that date, by an Order of Council, the administration of the Mint and the regulation of the coinage were made subject to the control of the Treasury. Under the Act of 1870 the regulation of the coinage was more definitely regulated by statute.

⁴ Sir Isaac Newton was, in the reign of William and Mary, appointed Warden of the Mint, and in 1718 was transferred by George I. to the Mastership

Several important treaties were concluded during this period. A treaty of commerce with Italy on August 6, 1863, with Prussia on May 30, 1865, and with Austria on December 30, 1869; also with Turkey in 1861, with Burmah in 1862, and with Salvador in 1862. Treaties were concluded with Belgium, France, and the Netherlands on November 8, 1864, on drawback on sugar. Treaties for the redemption of the Stade toll in 1861, and the Scheldt toll in 1863; and a treaty with the United States of America for co-operation in the suppression of the African slave trade on April 7, 1862.

PROGRESS OF BRITISH COMMERCE

(,000 omitted)

—	1860	1865	Per Cent in 5 Years		1870	Per Cent in 5 Years		Per Cent. in 10 Years	
			Increase	Decrease		Increase	Decrease	Increase	Decrease
Imports of raw materials									
Cotton wool, lbs.	1,390,928	978,544	—	42	1,339,608	36	—	—	4
Sheep's „ „	148,396	212,207	43	—	263,250	24	—	77	—
Flax, cwts.	1,481	1,936	30	—	2,430	25	—	64	—
Silk, lbs.	9,178	7,732	—	15	6,308	15	—	—	45
Exports of British produce and manufactures.									
	£	£			£				
Cotton manufacture	42,141	46,923	11	—	56,745	20	—	34	—
„ yarn	9,871	10,343	—	4	14,671	42	—	50	—
Woolen manufacture	12,157	20,141	77	—	21,665	7	—	78	—
„ yarn	3,843	5,110	41	—	4,994	—	2	29	—
Silk manufacture	1,587	1,404	—	11	1,450	3	—	—	8
„ yarn	826	767	—	7	1,154	50	—	39	—
Linen manufacture	4,804	9,157	90	—	7,248	—	21	50	—
„ yarn	1,801	2,535	40	—	2,237	—	11	24	—
Hardware	3,770	3,762	—	—	3,812	1	—	1	—
Machinery	3,838	5,223	36	—	5,293	1	—	38	—
Iron and steel	12,154	15,439	27	—	24,038	55	—	97	—
Coal	3,316	9,283	180	—	11,703	26	—	252	—
Earthenware	1,450	1,469	1	—	1,746	18	—	20	—
Total declared value of exports									
British produce and manu- factures	£ 135,891	£ 165,836	22	—	£ 199,587	20	—	46	—
Distribution of exports									
	£	£			£				
Northern Europe ¹	5,042	5,768	14	—	11,021	91	—	118	—
Central „ „	21,217	28,970	36	—	36,117	24	—	70	—
Western „ „	10,879	14,764	35	—	17,277	17	—	58	—
Southern „ „	6,902	7,847	13	—	8,710	11	—	26	—
United States of America ²	21,667	21,228	—	2	24,624	15	—	13	—
British North America ³	3,727	4,708	26	—	6,784	44	—	82	—
British West Indies ⁴	2,559	2,908	13	—	3,456	18	—	35	—
British India ⁵	19,307	20,388	5	—	22,533	10	—	16	—
Australia ⁶	9,707	13,339	37	—	9,899	—	25	2	—
Imports of articles of food and drink									
Grain, cwts.	52,353	49,492	—	5	74,104	49	—	41	—
Tea, lbs.	88,946	121,271	36	—	141,020	15	—	58	—
Sugar, cwts.	8,817	10,251	16	—	12,799	24	—	44	—
Wine, galls	12,478	14,270	14	—	17,775	14	—	42	—
Tonnage of British and Foreign Vessels entered and cleared									
British, tons	13,915	19,359	39	—	25,072	29	—	80	—
Foreign „	10,774	9,538	—	11	11,568	21	—	7	—
	24,689	28,897	17	—	36,640	26	—	7	—
Tonnage belonging to the United Kingdom									
Sailing vessels	4,204	4,937	17	—	4,578	7	—	8	—
Steam „	454	823	81	—	1,113	35	—	145	—
	4,658	5,760	24	—	5,691	—	1	22	—

¹ Russia, Sweden, Norway, Denmark, Heligoland.² Germany, Holland, and Belgium.³ France, Portugal with Azores and Madeira, and Spain with Gibraltar⁴ Italy, Austria, Greece, Ionian Islands, Malta, and Canaries⁵ United States of America⁶ British North America⁷ British West Indies with British Guiana and Honduras⁸ British India, Ceylon, and Singapore⁹ Australian Colonies and New Zealand

CHAPTER IX.

REVIVAL AND DEPRESSION OF TRADE

Condition of Industry and Commerce from 1866 to 1870 — Prosperity of Trade in 1871 — Great rise in the prices of Iron and Coal — Number and Importance of Joint-Stock Companies in 1870–72 — Increase of Imports — Foreign Loans — Speculation Abroad — Reaction — Default in Foreign Loans — Recurrence of Commercial Depression in England — The Balance of Trade. — Condition of Commerce.

SOME time elapsed after the commercial crisis of 1866 before trade resumed its wonted activity. The year 1867 was a year of languor. There was war in Italy. The harvest was bad on the Continent and in the United States; the exports of silver to India were considerable. A general disinclination to enter into any enterprise kept the money market spiritless, whilst the defalcation of some railway companies helped to maintain much gloom and uncertainty. The year 1868 was somewhat better. The depressing influences at work in previous years were partially removed. The harvest proved more abundant. But capital was not accumulating to any extent. Confidence was still wanting. Once again the harvest was bad in 1869. Nevertheless, the low rate of discount and the absence of any disturbing element encouraged some activity in many branches of trade, and the exports increased. The year 1870 opened brightly. Every branch of trade was reviving. Greater activity prevailed in the money market, and the harvest, though a little under an average, had not been altogether disappointing, when the unfortunate war broke out between France and Germany which, for a time, perplexed and disturbed every interest. The Franco-Prussian war was of short duration and did not involve any other nation, but it was destructive in the highest degree. The payment by France of an indemnity of 220,000,000*l.* and the cession to Germany of Alsace and Lorraine produced serious economic consequences. Still greater, however, were the enormous loss of wealth in crops destroyed, in public buildings and monuments ruined, and, above all, in the large number of productive labourers killed or disabled both in France and Germany. The early conclusion of a treaty of peace between two such countries in the centre of

Europe, and in the van of civilisation and progress, was a great boon to commerce, and immediately thereafter the gloom which was hitherto experienced was dispelled. Happily, too, the 'Alabama' dispute with the United States of America was terminated by the award of the Geneva Tribunal, and thus with the political horizon more serene, the year 1871 was ushered in full of promise and activity.

And so in effect it proved to be. The iron trade was the first to rise considerably in value in consequence of an excessive demand from the United States of America where a sudden impulse was given to railway extension. In 1871 iron, hardware, and machinery were all in great activity, and coal rose enormously in value. The coal market attracted more than ordinary attention from the fact that the supposed exhaustless resources of the British mines had been called in question by competent authorities. Professor Hull, in his work entitled 'The Coalfields of Great Britain,' published in 1861, produced evidence to show that the supply of coal is exhaustible, and might be exhausted sooner than we might expect. Two years after, in 1863, Sir William Armstrong made the subject the theme of some observations in his address to the British Association, and in 1865 Professor Stanley Jevons published his work on 'The Coal Question,' which seemed to support the impression that we stood in danger that the coal supply might suddenly, and at no distant time, come to an end. To set at rest any doubt on such a momentous question, in 1866 a Royal Commission was appointed to investigate the probable quantity of coal contained in the coalfields of the United Kingdom, and their report, published in 1871, was to the effect that within the attainable depth of 4,000 feet the probable quantity of coal available was 90,000,000,000 tons; that if we went a little deeper under the Permian new red sandstone and other superincumbent strata, but still at workable depth, we might get some 50,000,000,000 tons more. And that even making allowance for an increasing consumption, there is coal enough for 360 years more, while if the consumption should not increase, the available coal might last four times as much, or even 1,200 years longer. Notwithstanding, however, this encouraging report, when the demand of coal suddenly increased in 1871 in an unprecedented manner the original impression of a limited supply, fostered to some extent by a concert between coal owners and coal miners for a restricted output, once more revived, and the price of coal, as well as the price of all metals and manufacture in which coal enters, rose enormously. The prices were as follows:—¹

¹ *Report on the Prices of Exports of British and Irish Produce and Manufacture, 1861-1877* (Command paper, 2247, 1879) The average price per ton of best house coal in London was as follows 1868, 18s 7d.; 1869, 18s 8d.; 1870, 18s 6d.; 1871, 19s 3d.; 1872, 24s 11d.; 1873, for 5 months, 32s 6d The price of iron, in consequence, rose in equal proportion The prices per ton of Scotch

—	1871	1872	1873	Per centage increase 1871 to 1873
	<i>s d</i>	<i>s d</i>	<i>s d</i>	
Pig Iron, per ton .	61 08	100 85	124 65	104
Iron in Bar „ .	8 37	11 59	13 09	56
Iron Rails „ .	8 24	10 82	13 27	61
Coal „ .	9 80	15 83	20 90	113

The cotton trade was also very prosperous. Messrs. Ellison & Co. in their trade circular said: 'Beyond all question, 1871 has been one of the most prosperous periods in the history of British commerce and manufactures. Every branch of industry has experienced a most extraordinary expansion, and the condition of the working classes has been one of unexampled comfort and prosperity.'

As usual in times of excitement, a large number of Joint Stock Companies came into existence. In 1870, the number of Joint Stock Companies was 584, with a subscribed capital of 38,000,000*l*. In 1872, the number of companies formed was 1,116, and the amount subscribed was 130,000,000*l*. The trade of the United Kingdom increased considerably in volume. The imports rose from 303,257,000*l*. in 1870, to 371,287,000*l*. in 1873, an increase of 22 per cent. The exports of British produce rose from 199,586,000*l*. in 1870, to 255,165,000*l*. in 1873, showing an increase of 27½ per cent. But yet another source of excitement was produced by many foreign loans contracted in the same year. To meet their increasing financial exigencies, state after state came forward as a borrower in the money market. France required 10,000,000*l*. in 1870, and 80,000,000*l*. in 1871. Russia obtained in four loans, 54,000,000*l*., Turkey got 44,000,000*l*. Buenos Ayres, Chili, Peru, Honduras, Bolivia, Uruguay, Paraguay, each obtained large sums, whilst large investments were made in railways in the United States and other countries.²

pig iron on Clyde were as follows 1868, 2*l*. 15*s* 3*d* , 1869, 2*l*. 17*s* 6*d* , 1870, 2*l*. 19*s* 3*d* , 1871, 3*l* 2*s* 2*d* , and 1872, 5*l*. 10*s*. 0*d*

² The following are the particulars of the loans negotiated during this period —

Year of Issue	Name of State	Rate of Interest	Total Amount of Loan	Price of Issue	Agents for Issue
1870	Alabama Gold .	8	,000 omitted 400	94½	J H Schroder & Co.
	Buenos Ayres .	6	1,035	88	C De Murrieta & Co
	Chili .	5	1,013	83	J S Morgan & Co.
	Egypt . .	7	7,142	78½	Bischoffsheim & Goldschmidt
	France . .	6	10,000	85	J S. Morgan & Co
	Honduras .	10	2,500	80	Bischoffsheim & Goldschmidt, Lefevre
	Japan . . .	9	1,000	98	J H Schroder & Co
	Peru . . .	6	11,920	82½	
	Massachusetts .	5	620	87	Baring Brothers

Nor was the excitement limited to the United Kingdom. The *Moniteur des Intérêts Industriels* calculated the total amount of investments in state and municipal loans, credit companies, railway and industrial establishments in the principal countries in 1872, at 505,000,000*l.*, and in 1873, at 624,000,000*l.* A general illusion prevailed of enormous profits in every description of investments, and financial securities rose to an inordinate value, able speculators thereby realising considerable profits. That was the time when syndicates were formed to bring out new loans and fresh

Year of Issue	Name of States	Rate of Interest	Total Amount of Loan	Price of Issue	Agents of Issue
1871	Roumania . . .	7	(,000 omitted) 404	86	C. Devaux & Co.
	" . . .	7½	600	72	Anglo-Austrian Bank
	Russia . . .	5	12,000	80	Rothschild & Sons
	Spain . . .	5	2,018	80	" "
	Argentine Republic	6	6,122	88½	C. De Murrmeta & Co
	Brazil . . .	5	3,400	89	Rothschild & Sons
	Costa Rica . . .	6	500	72	Bischoffsheim & Goldschmidt
	" . . .	6	500	74	
	France . . .	5	80,000	82½	Baring Brothers; Rothschild & Sons
	Hungary . . .	5	3,000	81	Raphael & Sons
	Liberia . . .	7	100	85	Holderness, Nott & Co.
	Louisiana Levée .	8	400	84½	Robinson & Fleming
	Holland . . .	5	189	90½	Samuel Montague & Co.
	Paraguay . . .	8	1,000	80	Robinson & Fleming
	Russia . . .	5	12,000	81½	Rothschild & Sons
1872	Spain . . .	6	2,623	80	Stern Brothers
	Turkey . . .	6	5,700	73	Dew, Palmer & Co.
	Uruguay . . .	6	3,500	72	Thomson, Bevan & Co.
	Bolivia . . .	6	1,700	68	Lumb, Wanklyn & Co.
	Costa Rica . . .	7	2,400	82	Knowles & Forster; E. Erlanger & Co.
	Entre Rio ? . . .	7	227	90	C. De Murrmeta & Co.
	Paraguay . . .	8	2,000	85	Robinson & Fleming
	Peru . . .	5	36,000	77½	J. H. Schroder & Co.; Stern Brothers
	Russia . . .	5	15,000	89	Rothschild & Sons
	Honduras . . .	10	15,000	80	
1873	Russia . . .	5	1,700	87½	C. J. Hambro & Son
	Turkey . . .	9	11,126	98½	Raphael & Sons
	Buenos Ayres . . .	6	2,041	98½	Baring Brothers
	Chili . . .	5	2,277	94	Oriental Banking Corporation
	Egypt . . .	7	32,000	84½	Bischoffsheim & Goldschmidt
	Hungary . . .	5	5,400	80	Raphael & Sons
	" . . .	6	7,500	89	Rothschild & Sons
	Japan . . .	7	2,400	92½	Oriental Banking Corporation
	Russia . . .	5	15,000	93	Rothschild & Sons
	Turkey . . .	6	27,778	58½	Ottoman Bank
	United States . . .	5	—	102¾	Baring Brothers

From Hyde Clarke's paper 'On the Debts of Foreign States,' *Journal of Statistical Society*, vol. xh. p. 299.

undertakings of all kinds. That was the time when large operations were made in the Stock Exchange by fictitious sales and purchases of shares. Finance and industry alike rose to a high pitch of excitement. But whence this great excitement? Was there any solid reason for expecting so sudden a revival of trade? Was the population of Europe, Asia, Africa, or America, richer and better than they had previously been, to warrant the expectation that their requirements would be so much greater? Had capital been amassed to such an extent, so as to admit of such vast engagements? Could the high prices be maintained? Would consumption continue at the same rate, notwithstanding the increased cost of every necessary and luxury of life? Alas, there was no real reason for entertaining any such hopes. The United States were yet suffering from the disastrous effects of the civil war. France and Germany had just emerged from a severe and costly conflict. Austria and Italy had their finances paralysed and their currencies at a heavy discount. The harvest had been bad in England for many a year. A great inroad was made on the accumulation of capital, not only by war but by the visitations of Providence in famines and cattle plagues, also by losses in loans to countries which had not the remotest possibility of repaying them, and by wanton luxury among all classes of society. The activity of trade now experienced was the result of the inflated condition of the United States of America, still basking under the deceptive sunshine of an abundance of paper currency. It was produced by the exaggerated expectation in Germany from the large indemnity exacted from France. It was fostered by the desire of the French to retrieve the past by increasing industry and production. With coal at 42s. per ton, and iron at 10% per ton, many public works were suspended, and the general consumption of most articles was necessarily reduced. And it needed not much foresight to prognosticate that the fervour and sanguine expectations which for a time buoyed up the principal operators would in a very short time give place to alarm and despair.

Nor was it long ere the reaction manifested itself. The railway speculation in the United States first showed symptoms of weakness. Next came a complete crash in the Vienna Exchange. The crisis at Vienna brought about a similar fall of securities in Breslau, Leipsig, Frankfort, Hamburg, and Berlin. M. Max Wirth calculated the fall in value of the principal securities at the Berlin Exchange to have amounted to 131,138,000 thalers. Next came a crisis in the United States of America, where numerous bankruptcies took place. And soon after many of the South American States made default in the payment of interest and sinking fund on the loans contracted by them, causing serious losses to the unfortunate bondholders. From a return presented to the Royal Commissioners on the London Stock Exchange, it appears that out of a grand total of loans taken in London amounting to 614,228,300*l.*, the percentage of loans where all the obligations were fulfilled was

45·89, and where they were in default 54·11 per cent. The total sum in partial and total default was 332,399,800%. In course of time England participated in the reaction, and trade, which for some years made unprecedented progress, began to stand still and retrograde.

In the history of British commerce periods of commercial depression are by no means rare. In 1810–11, in 1839, in 1847–48, in 1857–58, in 1866, considerable distress prevailed from a sudden and protracted suspension of the ordinary activity of trade and industry, in former years, indeed, much aggravated from the scarcity and dearness of the necessaries of life. To a commercial nation like England a prolonged depression of trade, involving a falling off of every branch of trade, in imports and exports, manufacture and shipping, money and banking, in short, in all and every operation of commerce and finance, is a serious evil, for at such time there is less doing in everything, less employment, less activity, less work, less wages, and everyone is less engaged than he once was. We may well conceive that the sugar trade may be depressed whilst the corn trade is in full activity, that the iron trade may be reviving whilst the cotton continues in a very low condition, but a general depression of trade is a much more serious matter. Less and more, however, are comparative terms, and the soundness of our conclusions respecting the extent of such depression will depend on the standard by which we compare the same, or on the reasonableness of our expectations. To compare a year of excitement with an ordinary year is evidently erroneous and deceptive. In 1872, the exports of British produce and manufacture from the United Kingdom amounted to 256,000,000%. In 1878, they amounted to 192,000,000%. But the year 1878 was a year of speculation, when the prices of the principal articles were enormously high, and when most sanguine expectations were formed from the restoration of peace between France and Germany, quite regardless of the exhaustion of forces and wealth produced by that and other wars in Europe and America within a short time. A depression from that time of extreme activity might well have been expected. Single years, moreover, do not afford a safe basis for measuring the progress and exact character of trade. They are useful as landmarks, but their evidence is incomplete. A safer datum is the average of five or ten years. There is always an advantage in taking a number of years, in that the average result is freer from the exceptional circumstances of any single year. Take the average amount of the exports of British produce in the five years from 1869 to 1873, and from 1874 to 1878, and you find, that whereas in the first quinquennial period the average was 224,805,000%, in the second it was 211,000,000%. Too much is also made of the value of our imports and exports. The quantities of produce and

manufactures would better indicate the extent of international exchanges, for the values are subject to great fluctuations, and as they are obtained in a loose manner from the declarations of shippers and consigners, they must be taken as representing only generally the real amount of shipments. Compare the quantities and value of the four textile manufactures, iron and steel, exported in 1872 and 1878, and the results are widely different.

	Quantities				Values			
	1872	1878	Per cent		1872	1878	Per cent	
	(000,000 omitted)	(000,000 omitted)	Increase	Decrease	(000,000 omitted)	(000,000 omitted)	Increase	Decrease
Cotton Manufacture, yards .	3,537	3,619	2	—	63	53	—	15
Linen " " .	245	161	—	34	82	55	—	32
Woollen cloth " " .	56	58	3	—	32	17	—	46
Worsted cloth " " .	345	192	—	44	—	—	—	—
Silk " " .	44	48	20	—	2.2	1.9	—	15
Iron and Steel, tons	33	23	—	30	36	18	—	50
Coal, tons	13	15	15	—	104	73	—	29
	4 203 7	4,052 1		3	151.8	102 7	—	32

In quantities the decrease was only 3 per cent.; in value it amounted to 29 per cent. Upon a careful examination of the statistics of quantities, it will be found that the greater portion of the foreign commerce of the United Kingdom is subject to comparatively small fluctuations, and that any excess of speculation arising in any one year is soon corrected by the return of a more sober and more correct appreciation of the wants of the people at home and abroad.

A singular fact in connection with this depression of trade was the continuance of an extensive importation of foreign and colonial products, in the face of a reduced exportation of British produce and manufacture, thus creating what appeared to be an excessive balance of trade against England. The value of the imports of the United Kingdom is generally greater than the value of her exports, but never was the excess so large as in the four years from 1875 to 1878. From 1855, when the real value of imports was first ascertained, till 1878, the average value of imports and exports was as follows:—

(,000 omitted)

Average	Imports	Exports	Excess of Imports
	£	£	£
1855-1859	169,540	139,512	30,028
1860-1864	193,415	179,969	13,446
1865-1869	286,334	229,685	56,649
1870-1874	346,067	290,180	55,887
1875-1878	378,071	259,055	119,016

An excess so considerable gave rise to much anxiety, lest it should be an evidence of a state of trade disadvantageous to the

economic condition of the country, and it is well worth while to consider how far such a notion was well founded. Can it be that the United Kingdom has been pursuing for years past a losing trade, and that at the end of the yearly transactions she finds herself in debt by so many millions? According to the theories previously held of the balance of trade, trade is profitable, or the balance is in our favour, if we get as the result a good balance in gold. It is unprofitable, or the balance is against us, if we have to pay gold in balance of our debt. It does not appear, however, that there was any drain of the precious metals from the United Kingdom during all these years. The import of bullion was not registered at the Custom-house before the year 1857. But comparing the accounts of bullion since 1860, the imports have exceeded the exports by several millions a year. They were as follows:—

(,000 omitted)

Average	Imports	Exports	Excess of Imports
	£	£	£
1860-1864	26,228	20,070	6,158
1865-1869	24,985	17,531	7,454
1870-1874	32,237	26,954	5,283
1875-1878	34,974	30,894	4,080

There is no evidence, therefore, that England paid for the balance or excess of imports over exports of merchandise in bullion, and there is reason to doubt whether she is even indebted for the same. It is a fallacy to take the tables of the trade of the United Kingdom as an evidence of the amount of her indebtedness to other nations. Assuming the substantial correctness of the valuation, there are facts and circumstances connected with such tables that tend to lessen their actual significance. Entries are made for goods shipped which may never arrive at the ports of destination, and thus produce no indebtedness. All clandestine and smuggled trade finds no admission in the tables prepared by the Custom-house authorities. Whilst goods exported are declared at their value here, taking no account of charges, freight, and insurance; goods imported are declared at their value here, but including freight, charges, insurance, profits, and commission. The tables must be considerably corrected before the real excess is obtained from one side or the other. It should be remembered, moreover, that trade is not the only element of international indebtedness. England is a great storehouse of capital, and from her stock the railways and public works of many States are largely supplied, and the Governments of many States derive the means for replenishing their shattered treasuries. But interest has to be paid for capital so lent, and sooner or later, by means of a sinking fund or otherwise, the principal itself must be returned.

Thus not a small portion of the excess of imports of merchandise represents the payments due to England on account of capital so lent. And the excess beyond all these deductions largely represents British capital invested in foreign merchandise, some time coming in the shape of bills and currencies, and other times in produce and other commodities. The British market, it should be remembered, has great attraction to the foreign producer and merchant. It regulates prices; it affords convenience, inasmuch as British consignees are ever ready to accept drafts for advances upon consignments; it is at hand in case of need for transferring the produce to any other market. As large portions of our exports are sent in consignment on British account in all the great emporia of trade, so large portions of our imports come hither in consignment on foreign accounts.¹

The best way of ascertaining whether the excess of imports into the United Kingdom indicates a state of trade disadvantageous to her economic condition, is to look to the foreign exchanges. If England did really owe the excess to foreign nations, would there not be a constant excess of bills of exchange on England in the foreign markets, and would not the exchanges in consequence be permanently against England? But the exchanges are generally in her favour, and the British sovereign holds its own against the money of all other countries.² There is no reason, therefore, for any anxiety respecting the balance of trade in so far as the United Kingdom is concerned.

The depression of trade which lasted from 1874 to 1878, and which was not limited to England, was only a reaction from the excessive speculative excitement of 1872 and 1873. Foreign competition was not a factor in it. The productive power of England was unaffected. The condition of the people continued excellent. The cost of production was lower. Capital was abundant, and there was no reason to doubt that with the maintenance of peace and the recurrence of good harvests at home and abroad, the trade of the United Kingdom would speedily resume its wonted activity.

¹ On the question of the excess of imports over exports, see two able papers, one on 'The Progress of the Foreign Trade of the United Kingdom, 1856-77,' by William Newmarch, Esq., F.R.S., *Journal of the Statistical Society*, vol. xli. p. 187, and a paper on 'The Growing Preponderance of Imports over Exports,' by Stephen Bouine, F.S.S., same *Journal*, vol. xl. p. 19.

² See Table of Foreign Exchanges, London on Paris, from 1825 to 1878, in the Appendix.

CHAPTER X.

WORK AND WAGES.

Relations of Employers and Employed.—Recent Strikes.—Action of Trade Unions.—Principles involved in such action.—Royal Commission on Trade Unions and on the Master and Servant Act.—Reform in the Criminal Law.—Rates of Wages.

A PROMINENT feature in the recent history of productive industry in the United Kingdom has been not only a rise in wages but a more vigilant attention paid by the labouring classes to the state of the markets, with a view to secure for themselves therefrom a proportionate benefit. Incredulous of the operation of economic laws by which any increase of wealth must of necessity, if utilised, further the demand of labour and produce a rise in wages; impatient to appropriate such benefits as soon as possible, and almost contemporaneously with the producers and manufacturers themselves, the demand of labourers; sometimes too hasty and sometimes excessive, has produced a condition of irritation and friction between masters and men which proved most inimical to national interests, and results in many cases most disappointing to all parties concerned.

For a considerable period a succession of strikes has occurred in almost every branch of productive industry. In 1871, there was a strike of engineers for a reduction of the hours of labour from ten hours a day to nine for the same pay, equivalent to a 10 per cent increase of wages. In the same year the colliers of Northumberland and of Dean Forest, Gloucestershire, and the ironworkers of North Staffordshire, all turned out together. Some 40,000 colliers and miners of South Wales in Monmouthshire came to a resolution to appeal for an advance of 10 per cent. on their wages. In 1872 the Warwickshire Agricultural Union came into existence. And there was also strike of joiners, followed by lock-out by the masters, by which both masters and men equally lost. In 1873 the ironworkers in South Wales struck. In 1874 there were not a few local strikes. In 1875 a strike in South Wales of ironworkers produced a loss of wages of 3,000,000*l.* Year after year strikes of more or less extent took place, in most cases producing the greatest inconvenience and losses as well to masters as to men. And the great agents in the animation and conduct of

such strikes have been the trades unions, whose councils direct the actions of the labourers all over the kingdom.

The principal objects which trade unions have in view are the regulation of the supply and demand of labour, and the supervision of the rate of wages. By controlling the labour of their own members, by endeavouring to equalise the supply of labour all over the country, by regulating and restricting the admission of apprenticeship, by hindering the employment of boy and woman labour, and by putting obstacles to the employment of non-unionists, one in one way and one in another, trade societies have laboured to maintain a monopoly of labour, with a view to reduce that competition among labourers which is so formidable a barrier to the rise of wages. Nay more, in the hope of spreading the work among as large a number of members as possible, they, or some at least of such trade unions, have prohibited working over-time.

But legally and economically many rules of the trade unions are essentially erroneous. It is wrong to restrain the labour and industry of any individual or number of individuals; it is prejudicial to fetter industry, and so to diminish production. The wages of labour, like the price of an article, must be regulated by supply and demand. In some special cases, where wages are in any measure governed by custom, or where the labourers are in a position so low as to be under the necessity of working on wages insufficient to pay for the simple cost of living, a trade society may, by granting temporary help with a view to resistance, operate some reform of wages, though with the almost certain result of either lessening production and so causing a diminution of employment, or of stimulating the introduction of machinery. Whenever, moreover, the rate of profit is larger than is necessary to provide for the interest of capital and a legitimate remuneration for the employer's service, a trade society may, by a vigilant supervision, operate upon the margin which may exist between the rate of wages and the rate of profits, and in all probability succeed in securing part of the same for labour, unless defeated either by the competition of labourers among themselves or by foreign competition. But eventually, any advantage which trade unions can procure for labourers, apart from what would flow to them as a matter of course from the working of economic laws, can only be temporary, for supply and demand are sure to assert their sway.

Unfortunately for commerce, such trade unions have endeavoured to gain their object by recommending to their clients and friends a strike, or the simultaneous and joint cessation of work by all the persons employed in any establishment or industry, the means of sustenance or some approximate equivalent to the loss of wages thereby incurred being provided for by a

common fund. Only, as might have been expected, the resort to a 'strike' by the labourers has been met by a corresponding means of defence on the part of the employer, a 'lock-out,' and thus many disputes relating to wages and other differences, often trivial in character, have embittered the relations of capital and labour, and greatly hindered the progress of labour all over the country. The contentions thus raised by the labouring classes were frequently brought before the Legislature. In 1866 a Royal Commission was appointed to inquire into the organisation and rules of trade unions and other associations, whether of workmen or employers, and on the effect produced by such trade unions and associations on the workmen and employers respectively, and on the trade and industry of the country, with power to investigate any recent acts of intimidation, outrage, or wrong alleged to have been promoted, encouraged, or connived at by such trade unions or other associations. Consequent on the report of this Royal Commission, the law on trade unions was altered by the Act of 1871. Previous to that time the purposes of a trade union being deemed of the character of restraint of trade, no contract entered into by such union or by any member of the same could be enforced at law. The Act of 1871 removed such disability, and declared that the existence of such conditions shall not of itself render the association unlawful so as to render any member of such trade union liable to criminal prosecution for conspiracy or otherwise, or render void or voidable any agreement or trust arising therefrom. A few years after a Royal Commission was appointed to inquire into the working of the Master and Servant Act, 1867, and of the Criminal Law Amendment Act. The Commissioners recommended that breaches of contract should be divested of everything of a penal character and rendered entirely of a civil nature, and moreover that no person shall be liable to be indicted for conspiracy by reason only of the object of the combination being to force or control the action or will of any master or workman in any matter relating to the mode of carrying on his business or work, unless the means of coercion to be resorted to shall be one of those mentioned in the Criminal Law Amendment Act. Accordingly an Act was passed in 1875 (38 & 39 Vict.), whereby an agreement or combination by two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute between employers and workmen shall not be indictable as a conspiracy, if such act, committed by one person, could not be punishable as a crime.

The following rates of wages in some of the principal industries are from the miscellaneous statistics published by the Board of Trade, from returns obtained in the chief centres of industry:—

COTTON MANUFACTURE

MANCHESTER	1839	1849	1859	1877
Carding Department—	Per week	Per week	Per week	Per week
Scutchers (men) .	7/-	7/6	8/-	13/6
Spinning—				
Minders	16/-	18/-	20/-	29/8 to 36/-
Piecers (women or young men)	8/-	9/	10/-	12/6 to 14/6
Throstle spinners (women)	7/-	7/6	9/-	17/6

WOOLLEN MANUFACTURE.

HUDDERSFIELD	1839	1849	1859	1877
	Per week	Per week	Per week	Per week
Weavers	12/-	12/-	16/-	20/- to 35/-
Dyers	16/-	17/-	17/6	22/- „ 24/-
Wool Sorters . .	21/-	22/-	22/6	26/- „ 28/-
„ Scourers . . .	17/-	18/-	21/-	21/- „ 23/-

LINEN MANUFACTURE

BELFAST	1855	1877
	Per day	Per week
Hacklers	2/4	20/-
Reelers	10d to 1/1	7/9
Spinners	10d to 1/-	8/-
Machinists	4/-	33/-

EARTHENWARE

STAFFORDSHIRE	1837	1877
	Per day	Per week
Clay Makers	3/6 to 4/6	24/- to 30/-
Throwers	4/- „ 7/-	33/- „ 42/-
Turners	4/- „ 5/-	26/- „ 32/-

MACHINE MAKERS.

MILLWALL	1851	1861-65	1878
	Per week	Per week	Per week
Fitters	33/- to 38/-	33/- to 38/-	38/-
Joiners	36/- „ 39/-	36/- „ 39/-	39/- to 42/-
Pattern Makers . .	36/- „ 39/-	36/- „ 39/-	39/- „ 42/-
Platers	36/- „ 42/-	36/- „ 42/-	42/-
Riveters	30/- „ 32/-	30/- „ 32/-	34/-
Planeis	30/- „ 33/-	30/- „ 33/-	38/-

AGRICULTURAL LABOURERS.

	1860	1872
	Per week	Per week
Kent	8/8 to 11/6	20/- to 26/-
Sussex	12/- " 15/-	13/6 " 17/6
Hertford	10/- " 14/-	12/- " 23/-
Suffolk	11/- " 13/-	13/- " 15/-
Cheshire	11/-	16/6
Lancaster	14/-	18/-
Durham	13/6	17/-
Northumberland	15/-	19/-
Cumberland	15/-	20/-

BUILDING TRADES.

LONDON	Previous to 1853	1853 to 1861	1863	1877
	Per day of 10 hours	Per day	Per hour	Per hour
Bricklayers	5/-	5/6	8d.	9d.
Masons	"	"	"	"
Carpenters	"	"	"	"
Joiners	"	"	"	"
Platers	"	"	"	"
Plasterers	"	"	"	"
Plumbers	—	—	9d.	10d.
Painters	—	—	} 7d. to 7½d.	8d to 8½d.
Glaziers	—	—		

ABLE SEAMEN.

LONDON	1848	1878	
	Per month	Per month. Sailing	Per month. Steam
Mediterranean	45/-	65/-	70/-
North America	55/-	65/-	80/-
South America	45/-	60/- to 65/-	70/-
Coast of Africa	45/-	60/- " 65/-	70/-
East Indies	40/-	55/- " 65/-	70/-
Australia	40/-	55/- " 65/-	65/- to 70/-

CHAPTER XI.

COMPARATIVE PROGRESS OF COMMERCIAL NATIONS.

Causes of Relative Progress — Progress in the Century — France — Belgium — Holland — Russia — The Hanse Towns — Prussia and the Zollverein — Austria — Spain — Portugal — Italy — Switzerland — Greece — Turkey. — Morocco — Persia — China — Siam — Japan — United States — Brazil and other South American States — The Future of International Trade.

A COMPARISON of the relative progress of nations in commerce and industry will show that it is not any one element alone that will place a state in a position of decided superiority. The possession of valuable resources, whether mineral or agricultural, a favourable geographical situation, easy means of communication, energy of character, and even the strength of race, have considerable influence in determining the commercial position of different states. England has iron and coal, France has considerable agricultural wealth. Italy is rich in produce, and she is wonderfully well situated on the Mediterranean. Germany has a population possessing all the strength of the Anglo-Saxon race. The United States of America are fresh and young, and full of life and resources. Nevertheless, whilst England exports produce and manufactures at the rate of 5*l.* 14*s.* 1*d.* (1878) per head, France exports at the rate of 3*l.* 14*s.* (1877), and Italy at the rate of 1*l.* 7*s.* 10*d.* (1877) per head. In truth, the possession of material advantages is not nearly so important as the ability of rendering them subservient to our purposes. Coal and iron were long known to exist in certain localities in England, but it was only when Watt's invention for regulating the steam-engine facilitated mining operations that these minerals became really available. It was northern energy and activity that awakened into life the dormant races of Asia and Africa. Nations are often capable of great exploits. Holland wrested from the sea the soil on which her cities are built. Italian skill perforated Mont Cenis. French enterprise constructed the Suez Canal. Yet, in a long and keen competition, Britain excelled all nations in trade and navigation.

We have seen what the state of trade was in different countries one hundred years ago. Since then, Australia and New Zealand have been discovered, extensive territories in America have been peopled and cultivated, many new states have been created, valuable powers of nature have been discovered and utilised, many new

products have acquired a commercial value, science and art have made wonderful strides, and international exchange has been immensely promoted. Alas, that what a bountiful Providence has bestowed with no sparing hand should have been so often wasted and abused! How much more extensive would the traffic of the world be at this moment but for the obstructions wantonly thrown in the way by war, ignorance, and a most erroneous commercial policy. Nearly every nation has had a share in these sad shortcomings. Only whilst many of them have remained behind helpless and prostrate, Britain most successfully triumphed over all difficulties.

FRANCE

France is not an apt scholar in the school of experience. At the commencement of our history we found her in 1763 humiliated and vanquished, closing a wretched war by the cession of some of her valued possessions. Sullen and discontented, she gave herself to industry and trade; but soon after an opportunity offered for retrieving her political fortune, and in 1776 we saw her taking side with the American Colonies, and creating another general war. The peace of Versailles of 1783 placed her in a somewhat better condition, but scarcely half a dozen years elapsed when in 1789 she was in a ferment of revolution. From that moment to the conclusion of the Treaty of Vienna in 1815, a period exceeding a quarter of a century, France was fearfully distracted at home, and in actual war with nearly every state. The restoration of the Bourbons brought to her no prosperity, and their reign was suddenly arrested by the revolution of 1830. During the reign of Louis-Philippe, France was prosperous, but again the revolution of 1848 stopped progress. Then came the short period of the republic with its anomalies and its *coups d'état*, which opened the way for another empire in 1852. It then seemed as if France was tired of the vain pursuit of glory, and that, taking the happy motto *L'empire c'est la paix* as her guide, she was disposed to give herself in earnest to recover what she had lost. But jealousy of the aggrandisement of neighbouring states corroded her very heart, and in 1870, despite all entreaties and against the judgment of the civilised world, she unsheathed the sword against Germany, to retire from the contest shattered, defeated, and impoverished. Happily for France, she has great resources in her soil, and industry and frugality enough to enable her people rapidly to recover from her disasters. During the last eight years the commercial progress of France has been considerable. In 1815 the exports of France were not more than in 1787. Up to 1830 the trade of France continued in a very depressed state, nor did it improve much whilst labouring under a most restrictive tariff. In 1855 Napoleon began to relax somewhat the French commercial policy, and from that moment the progress of France became rapid.

Commerce suffered in 1870 from the disastrous war with Germany, but from that time a new impetus has been given to French industry, though it is sadly hindered by financial exigencies. France is an extensive country, placed in the very centre of Europe, bordering on the ocean and the Mediterranean, and surrounded by the most civilised and advancing nations of the world. She has a rich soil, a people skilful and fertile in resources, and she possesses many industries which are peculiarly her own, and in which she has scarcely any rival. She has about 13,000 miles of railway, and a considerable river and canal navigation. What she requires is peace and a sound commercial legislation. Let her have these blessings and she will speedily regain all she has lost. Let her be for ever turbulent or at war, or let her once more adopt a system of protection and restrictions, and her decadence is certain and irremediable.

EXPORTS OF FRENCH PRODUCE

(,000 omitted.)

Year	£	Year	£
1845 .	33,923	1865 .	123,536
1850 .	44,546	1870 .	112,084
1855 .	62,315	1875 .	154,904
1860 .	91,084	1878 .	127,188

In a previous part of this work (p 198) we have given a comparison of the productive forces of France and the United Kingdom as given by M. Dupin in 1821. The following comparison in 1874, from the 'Statistique de la France'¹ and the Returns on Factories and Workshops² tables, may be a useful appendage:—

—	United Kingdom			France		
	1821	1871	Increase per cent.	1821	1871	Increase per cent.
Population	21,000,000	32,000,000	52	31,000,000	36,000,000	16
Horses	1,500,000	1,900,000	26	1,900,000	2,700,000	42
Cattle	5,500,000	9,700,000	56	7,000,000	11,300,000	61
Horse power						
Steam power engaged in productive industry	?	1,000,000	—	?	321,000	—
Steam power in navigation	—	2,300,000	—	—	230,000	—
Merchant ships Tons, 1837	2,300,000	6,800,000	173	700,000	1,000,000	42

BELGIUM.

Belgium was not an independent state in 1763. It was only in 1831 that her separation from the Netherlands was effected, and in 1839 that her neutrality was guaranteed; but her progress ever since has been steady and extensive, and her institutions have granted sufficient encouragement to labour and industry. The

¹ *Statistique Sommaire des Industries Principales en 1873*, Paris, 1874.

² See Summarised Returns of Factories and other manufacturing establishments in the *Report of the Royal Commissioners on the Factory and Workshops Acts*, 1876

British Consul at Antwerp reported that public opinion in Belgium was favourable to the principles of free trade; that in 1861 the Antwerp Chamber of Commerce put forth views of a most advanced character, and passed a vote in favour of the entire abolition of customs duties; that in 1864 the Conseil supérieure de l'Industrie et du Commerce, composed of delegates from all the Chambers of Commerce in the country, resolved, 'that the laws relating to customs and excise should always be in harmony with each other, but inasmuch as the absolute suppression of customs duties would exercise a more energetic action upon the development of public wealth than any measure of mere reform, however liberal, it is desirable that the Government should constantly tend towards the attainment of that object;' and also that the Customs Reform Association was gaining favour in the country. The economic policy of Belgium is greatly affected by that of France, and has hitherto been in accord with the principles of the recent treaties of commerce. Between 1858 and 1878 the exports of Belgian produce increased from 15,000,000*l.* to 44,000,000*l.* France, Britain, Holland, and the Zollverein are the countries with which Belgium has the largest trade. Belgium has about 1,700 miles of railway; her mineral resources are considerable and her textile industries of great value.

The exports of Belgian produce have been as follows:—

Year	£	Year	£
1845 . .	7,887,000	1865 . .	24,066,000
1850 . .	8,401,000	1870 . .	27,604,000
1855 . .	13,766,000	1875 . .	44,071,000
1860 . .	18,776,000	1878 . .	44,494,000

HOLLAND

Holland has always preserved her character for prudence and caution. Whilst other countries have been disturbed by strikes, she has endeavoured to work out steadily her own problems of internal reforms and colonial management. At home her trade is prosperous, but in Java and Surinam it has long remained in a most unsatisfactory condition, arising principally from the monopoly of the *Nederlansche Handel Maatschappij*, or Dutch Trading Company. In 1868 the Rotterdam Chamber of Commerce petitioned that in its judgment 'it was high time for the State to cease to be the principal house directly engaged in trade, and for the trade itself to undertake the import of colonial wares.' Of all colonial systems, the Dutch, which monopolises for the state the commercial resources of the colony, is by far the most objectionable. And what has been the result? Java and Surinam have remained stationary whilst all the world has been progressing. One-fourth of the imports and exports of Holland are from and to Great Britain. The imports and exports of Java, Madura, and Sumatra are valued in all at 10,000,000*l.*

The causes of the prosperity of Holland in olden times have been the subject of many inquiries. In an able paper on the statistics of that kingdom, Mr. Samuel Brown said: 'As the earliest champions of civil and religious freedom, and affording a home from intolerance and oppression when the rest of Europe was nowhere safe from religious persecution, the Hollanders always had our cordial sympathy and aid. Having won their land from the ocean, they have only been able to maintain it against returning destruction by the most incessant patience, vigilance, and skill; and yet on several occasions have given proofs of the greatest unselfishness and most devoted patriotism, by voluntarily sacrificing the results of years of labour and expense, and again submerged large portions of the soil rather than allow the invader a footing thereon. By their industry, honesty, and enterprise they carried on a commerce with distant lands unrivalled at the time, and had their ships and traders on every sea. They still hold populations with colonies nearly six times their own in number, with a large and increasing trade; and having so many points in common with this nation, and so many claims on our goodwill, we cannot but be gratified to notice the visible signs of prosperity and progress which these brief statistical notices record.'

The exports of Dutch produce have been as follows:—

Year	£	Year	£
1850 . .	10,707,000	1870 . .	31,831,000
1855 . .	18,107,000	1875 . .	44,676,000
1860 . .	20,152,000	1877 . .	45,151,000
1865 . .	27,846,000		

RUSSIA.

Russia is an empire of enormous area, and has an extensive productive power; what she wants are capital, better means of communication, and freedom of intercourse with other countries. The former she is endeavouring to supply by the construction of many lines of railways, the latter she must obtain by the introduction of a more liberal commercial policy. Moscow, not St. Petersburg, is the centre of the Russian railway *réseau*. From Moscow two great lines will proceed west and north-west to the Gulf of Finland and the Baltic; two other lines north and north-east to the Volga and Siberia; and other lines southward to Astrachan on the Caspian Sea, and to Isaritsyn on the Don. The length of the lines open in 1876 was 12,639 miles, and there is every prospect that the works will prove in time remunerative, from the immensity of the internal traffic. The customs tariff of Russia is in course of constant improvement. The tariffs of 1850, 1857, and all the more recent changes, have been liberal and progressive. The statistics of the Russian trade give us the amount of imports and exports by sea only. Besides these, however, large transactions are carried on by land, mainly with China, by barter, with which

she has several treaties. The emancipation of the serfs was a reform of the greatest importance, and will yet go far to vivify Russian life, and to render the place of Russia in Europe and Asia more and more conspicuous. Meanwhile, the progress of Russian commerce is considerable. The exports from Russia increased as follows :—

Year		£	Year		£
1850	.	15,000,000	1865	.	32,000,000
1855	.	6,200,000	1870	.	57,000,000
1860	.	26,000,000	1877	.	83,590,000

The commerce of Asiatic Russia bears a small proportion to that of European Russia, the proportion being as 4 to 35. Among the nations with which Russia carries on foreign trade, Prussia and Britain hold the first rank in Europe; and Bokhara and China in Asia. Owing to her excessive financial exigencies, Russia had often to resort to the issue of inconvertible paper money. In 1878 the paper currency amounted to 1,215,688,000 roubles, and the metallic reserves were only 179,000,000 roubles. Consequently the rate of exchange in London for the rouble has been very low. In 1877 it averaged from $29\frac{5}{8}d.$ to $24\frac{4}{32}d.$, and in 1878 from $25\frac{1}{32}d.$ to $24d.$ In October 1878 the whole interest-bearing debt of Russia was 248,000,000*l.*, besides the debt due to the Bank of Russia.

NORWAY, SWEDEN, AND DENMARK.

The three Scandinavian states, Norway, Sweden, and Denmark, have not an extensive trade. The principal productions of Norway are fish and iron; of Sweden, oats and timber; of Denmark, grain, hides, and oil-cake. Their imports and exports were valued, in 1876, at 15,800,000*l.* for Norway, and at 28,000,000*l.* for Sweden, and 22,700,000*l.* for Denmark. Norway has a large mercantile marine; her tonnage increased from about 300,000 tons in 1850 to 1,436,000 in 1876. Her annual receipts from freights are considerable.

GERMANY.

The Hanse Towns are no more. They have been incorporated with the German Empire. Nevertheless, Hamburg, Bremen, and Lubeck will ever be important outposts for the continent of Europe, and their traffic continues undiminished. In 1877 the value of imports of Hamburg was 87,755,000*l.* The total value of ships and cargoes insured against sea risks in the year 1877 amounted to 109,885,000*l.* Her principal banks are the Bank of Hamburg or the North German Bank, and the Vereins or Union Bank, the Commercial and Discount, the International, the Mortgage, the Anglo-German, and the Exchange Bank. And with the abolition

of guilds and her accession to the Zollverein, Hamburg bids fair to increase still more in commercial importance. In 1877 Hamburg and Bremen had a commercial marine of 475,000 tons. The imports to Bremen-Bremerhaven in 1877 amounted to 21,725,000*l*.

AUSTRIA.

Few countries have passed through so many vicissitudes as Austria, and few have suffered more from the privileges of the nobles, the system of guilds, extended monopolies, and restrictive tariffs. It is only recently that she has inaugurated a more liberal commercial policy which found expression in the treaties she concluded with the United Kingdom, Prussia, France, Holland, Belgium, and Switzerland. A treaty of commerce was concluded between the United Kingdom and Austria on December 16, 1865, by which Britain conceded to Austria the same advantages which were conceded to French subjects by the French treaty, and to the Zollverein by the treaty of 1865, and on her part Austria bound herself to regulate her tariff in such a way that the duties to be levied on British produce should not exceed 25 per cent. from January 1, 1867, and 20 per cent. from January 1, 1870. The progress of Austrian commerce of late years has been considerable. In 1876 Austria had 10,725 miles of railways, which cost 229,000,000*l*., and her resources are considerable, but with a more certain political position she will afford an excellent field for the investment of capital. The exports from Austria have increased as follows:—

Year		£	Year		£
1860	:	26,400,000	1870	:	39,500,000
1865	:	34,450,000	1876	:	50,857,000

SPAIN.

Spain has undergone many changes in her government and institutions, and within the last few years she has entered on a career of progress and prosperity. Her policy is no longer that of a paternal government. The programme of Señor Figuerola's administration in 1868 said: 'The creation and maintenance of industry must not be based on privileges which, containing the leaven of injustice, recoil in the long run on their possessors; nor yet upon aid from the state, at the bottom of which there is always a marked principle of communism. They must appeal to other and wider spheres of activity, and if they are in harmony with the financial laws governing human society, it is there, and there alone, that reliance must be placed by those who apply their activity to the production of wealth. This, then, must be the work of the revolution if it is to produce lasting results instead of evaporating in vain boasts and barren declamations: to compel individuals to cast off the yoke of state protection and exercise their own strength and intelligence, relying

on the study of natural phenomena and the utilisation of natural conditions for success in enterprise. Government must, step by step, reduce the sphere of action, enlarging that of the individual, who must be taught to respect his labour and himself.' Down to 1866 there was but little increase in the commerce of Spain. From 1856 to 1874 the exports increased from 10,000,000*l.* to 18,000,000*l.* The commercial relations of the United Kingdom with Spain and Portugal have been disturbed by the method adopted for regulating the wine duties upon the conclusion of the Treaty of Commerce with France. According to the tariff of 1861, wines containing less than 18 degrees proof spirit were charged 1*s.* per gallon; wines containing less than 26 degrees were charged 1*s.* 9*d.* per gallon; less than 40 degrees, 2*s.* 8*d.*; and less than 45 degrees, 2*s.* 11*d.* per gallon. In 1862 the tariff was simplified by fixing 1*s.* duty on wine containing less than 26 degrees of proof spirit, and 2*s.* 6*d.* per gallon on wine containing less than 42 degrees of proof spirit; the object of this gradation being, on the one hand, to facilitate the consumption of the United Kingdom of light wines, and on the other, to protect the British revenue from spirits, which is considerable. By such legislation, however, Spain and Portugal, which produce considerable quantities of wines over 26 degrees of natural strength, felt themselves justly injured, and after having in vain asked for a revision of the tariff in their favour, resolved in 1877 to retaliate against England by imposing differential duties against her produce and manufactures. In 1879 a committee of the House of Commons was appointed to inquire into the system under which customs duties are now levied in this country on wine, and into its bearing on the fiscal and commercial interests of the country. And the committee reported that the settlement which they believed would be satisfactory is the imposition of 1*s.* duty per gallon on wine up to a fixed limit of strength, higher than 26 degrees to be fixed by the Executive, with a charge for every degree in excess of this limit that shall bear approximate relation to the duty per degree paid by spirits.

The exports from Spain increased as follows:—

Year		£	Year		£
1860	. .	11,000,000	1870	. .	15,700,000
1865	. .	11,100,000	1878	. .	17,253,000

PORTUGAL.

Portugal has made some progress towards a sound system of commercial legislation; and, after many years' efforts, she has freed the Douro wine trade from the incubus of a pernicious monopoly. Portugal as well as Spain would go further in the way of reducing their tariff, on condition that Britain would admit their wines at a uniform duty of 1*s.* per gallon. The exports of Portugal in 1874

amounted to 5,184,000*l*. The exports from Portugal have increased as follows :—

Year	£	Year	£	Year	£
1865	. 4,500,000	1870	. 4,500,000	1875	. 5,418,000

ITALY.

Italy has large resources. She has an extensive coastage and many excellent harbours on the Mediterranean and the Adriatic. Her liberal policy has invigorated every institution, and given new life to Italian commerce and manufactures; and though as yet the rate of progress has not been considerable, there is a good prospect of a constant and increasing development. ‘We have full faith,’ said Count Cavour, in the pages of the *Risorgimento*, ‘in Italian industry, not only on account of the beneficent reforms already introduced, not only on account of those reforms in the customs laws which tend to the improvement of our internal and external relations, but principally because we trust to see reawakening in our people—animated by a generous and united spirit, and called to new political life—that skill which made their illustrious ancestors powerful and rich in the middle ages, when the Florentine and Lombard manufactures, and the ships of Genoa and Venice, had no rivals in Europe. Yes, we have faith in the skill, the energy, the enlightened power of the Italians, much more likely to increase commerce and industry than any legislative protection or unjust privileges.’ The commercial relations of Italy will probably benefit largely from her having once more become the point of contact between the East and West, and the channel for the conveyance of the rich products of India and China to the Mediterranean and Adriatic states. The exports from Italy have increased as follows :—

Year	£	Year	£
1860	. . 19,000,000	1870	. . 30,200,000
1865	. . 22,300,000	1878	. . 34,944,000

SWITZERLAND

Switzerland has a considerable trade. Up to the end of last century her foreign trade was confined to dealings, on a very limited scale, with some neighbouring countries. Now she trades with all the world. Without ports, hemmed in by powerful states and shut up by mountains, she is still making a wonderful progress. By the introduction of commercial and political freedom, by habits of thrift and perseverance, by taking advantage of the inexhaustible water power always at her disposal, and by the introduction of railways, she has overcome all difficulties, and she has been able to give great stimulus to her industries. The special trade of Switzerland has been estimated at 35,000,000*l*., but no official account is given of the value of her imports and exports.

GREECE.

The commerce of Greece in 1875 did not exceed 5,196,000*l.* of imports, and 2,706,000*l.* of exports of domestic produce.

TURKEY.

Turkey is an agglomeration of states and pashaliks, with not many elements of cohesion among themselves. Scarcely any country possesses a position so favourable and productions so varied and valuable for trade as these provinces; but their government is weak, their resources are undeveloped, their administration is inimical to the progress of trade. Our traders are protected by the exceptional method of a consular jurisdiction, but that only marks the insufficiency and untrustworthiness of the Turkish administration of justice. Of the trade of the Turkish empire there is no collective account. At Constantinople the navigation is large. In 1876 the movement of the port of Constantinople was 19,495 vessels of an aggregate tonnage of 5,119,000 tons. In 1877 the tonnage was less in consequence of the blockade. Salonica has a trade of nearly equal importance. Then there are Bagdad, Bus-sorah, and Trebizond; besides Roumelia, Epirus, Rhodes, the Sporades Islands, including the celebrated Patmos; above all, the Moldo-Wallachian kingdom, whose trade is valued at upwards of 10,000,000*l.*; and Egypt, whose imports alone are valued at 9,000,000*l.* That Turkey may soon become progressive, commercial, and civilised, must be the desire of all Europe.

MOROCCO.

Morocco has many natural advantages—a hardy, patient, and industrious population, a climate healthy and temperate, and a most fruitful soil. Tangiers has a trade amounting to nearly 2,000,000*l.* Dar-el-Baida, Laraiche, Mazagar, Mogador, Rabat, Taffee, and Tetuan have each many branches of industry, and their exports consist of beans, canary seed, linseed, Indian corn, and fruit; yet the total value of them is not very considerable.

PERSIA.

The external trade of Persia is given at about 4,000,000*l.* Her exports to Astrachan and Georgia consist in fruits, furs, and caviare. A considerable quantity of opium is produced in Persia, and she also exports raw silk. The British consul reports that, rich in minerals, capable of producing grain, cotton, silk, and wool to any extent, and possessing immense forests whence the finest timber might readily be obtained, what Persia requires is internal security and a good currency.

CHINA.

China is largely increasing in commercial importance. In 1848, there were only Canton, Amoy, and Shanghai open as treaty ports. In 1877, besides these ports, Foo-chow-foo, Ningpo, Takow, Tamsui, Kui-Kiang, Hankow, Che-foo, Swatow, Kiung Chow, Nenchow, Tien-tsin, and New Chang have been opened for traffic. In 1877, the imports of the treaty ports amounted to 29,000,000*l.*, and their exports to about 25,000,000*l.*

JAPAN.

The trade of Japan is fast developing. The foreign trade of Japan is carried on in Kanagawa, Hiogo, and Osaka, Nagasaki, Hakodata, and Niigata. In 1877 the imports of Japan amounted to 25,900,000*l.*, and the exports to 22,867,000*l.* In 1878 the domestic debt of Japan amounted to 72,500,000*l.*, and the foreign debt, 2,500,000*l.* Total, 75,250,000*l.* The British trade with Japan increased as follows:—

Year	Imports from £	Exports to £
1854	13,874	1,466
1855 to 1858	Nil	Nil
1859	97,078	2,917
1868	181,222	1,112,804
1878	628,805	2,905,943

UNITED STATES.

The United States have made a rapid and wonderful progress. In 1800 the population of the United States was 5,300,000; in 1830 it was 12,866,000; and in 1870 it reached 38,500,000. The annual value of manufactures in 1820 was 12,553,000*l.*; in 1860 it was estimated at 400,000,000*l.* The tonnage of shipping belonging to the United States in 1800 was 972,000 tons; in 1830, 1,191,000 tons; in 1860, 5,354,000 tons; and in 1869 the tonnage amounted to 4,144,000 tons. The value of real and personal property in 1810 was estimated at 376,000,000*l.*; in 1830 at 752,800,000*l.*; in 1860 at 2,825,000,000*l.* The abolition of slavery is a great landmark in the recent history of the United States, and if the high tariff, the enormous financial indebtedness, and the reverses in banking and currency which followed so great a revolution, have checked for a time the development of their unbounded riches, we can well trust the shrewdness, common sense, and soundness of mind of the American people for a speedy return to that state of enviable freedom from burdens and unclogged industry under which they made their rapid and unprecedented prosperity. The exports from the United States have increased as follows:—

Year		£	Year		£
1825	. .	13,800,000	1865	. .	28,500,000
1835	. .	20,000,000	1875	. .	104,000,000
1845	. .	19,600,000	1878	. .	191,814,000
1855	. .	51,000,000			

BRAZIL.

Among the states of South America Brazil holds the chief rank, her imports in 1869 amounting to 19,000,000*l.*, and her exports to 23,000,000*l.* The exports of cotton from Brazil increased as follows :—

Year		Bags	Year		Bags
1835	. .	792,000	1865	. .	3,197,000
1845	. .	1,458,000	1875	. .	3,132,000 ¹
1855	. .	2,858,000			

Bahia is a most important commercial port, and so is Para. The navigation of the river Amazon is now free to all nations. The Argentine Republic has a trade amounting to 10,000,000*l.*, the exports of Buenos Ayres consisting principally in wool and hides. The port of Monte Video in Uruguay has a trade of about 10,000,000*l.* Guatemala, San Salvador, Guayaquil, and New Grenada have each considerable traffic. The Isthmus of Panama is of great commercial value as the connecting link between the Atlantic and the Pacific Ocean. The time has arrived when an inter-oceanic ship canal through the continent is demanded in the interests of commerce, in order to avoid the long, expensive, and dangerous voyage round the southern point of South America. Mexico has not much trade, but her mining resources are considerable.

Large, however, as is the present amount of international exchange, we cannot say that it has in any manner reached its ultimate extent. Assuming the population of the world to be considerably over one thousand million human beings, that at the very minimum they require food and clothing to the value of ten pounds per annum each, and that not more than half that amount is produced in the countries in which the consumption takes place, the aggregate exports would need to be above five thousand millions worth of produce and goods, whereas at present they are under one thousand millions. If the productive power of the world is great, the consuming power is still greater. The field of international commerce present and future is very vast, and what we see of its progress gives but a very imperfect idea of its probable expansion. There is one great hindrance to the progress of international commerce—it is the maintenance of customs duties as part of the public revenue. In the United Kingdom the customs in 1878 contributed about 20,000,000*l.* to a revenue of 83,000,000*l.*, or about 24 per cent. In Russia the customs con-

¹ The bags in 1878 represent 60 kilos. instead of 160 lbs. as formerly.

tributed 12 per cent.; in Holland $4\frac{1}{2}$ per cent.; in Belgium 7 per cent.; in France 9 per cent.; in Italy $9\frac{1}{4}$ per cent.; in Austria 5 per cent. It is for the United Kingdom to take the lead in the great movement of abolishing for ever this financial obstacle to the commerce of the world, and her example will give a fresh stimulus to the extension of a liberal commercial policy.

COMPARATIVE PROGRESS OF EXPORTS OF NATIVE PRODUCE
AND MANUFACTURE.

(,000 omitted.)

—	1860	1865	1870	1875	1877
EUROPE:	£	£	£	£	£
Russia . . .	26,154	29,201	54,285	60,476	83,590
Sweden . . .	4,803	6,004	8,417	11,320	11,955
Norway . . .	—	—	4,487	5,739	6,062
Denmark . . .	—	—	8,783	8,539	7,988
Holland . . .	20,152	27,846	31,831	44,676	44,151
Belgium . . .	18,776	24,066	27,604	44,071	43,276
German Empire . . .	—	—	—	176,535	176,495
France . . .	91,084	123,536	112,084	154,904	137,452
Spain . . .	10,653	11,416	15,982	17,908	18,175
Portugal . . .	—	4,524	4,565	5,418	—
Italy . . .	—	22,294	30,212	40,892	37,359
Austria . . .	26,466	34,451	39,541	50,447	—
Greece . . .	962	1,481	1,355	2,706	—
AMERICA .					
United States . . .	65,983	28,524	78,402	104,017	122,848
UNITED KINGDOM . . .	135,891	167,836	199,586	223,466	198,893

CHAPTER XII.

COMMERCIAL RELATIONS WITH FOREIGN COUNTRIES.

Negotiations for a new Treaty of Commerce with France.—The Navigation Laws of France.—The Sugar Duties —Conference on Drawbacks.—Operation of such Drawbacks on the Exports of Sugar from France, Holland, and Belgium.—International Treaties.

TREATIES OF COMMERCE.

THE Treaty of Commerce concluded between Great Britain and France in 1860 inaugurated a new commercial policy in France, and made her enter on a path of commercial legislation safer and wiser than she had been pursuing for years past; but French miners and manufacturers never fully understood the measure, and many French statesmen regarded the treaty with decided aversion. There was no denying the fact that the ten years which had elapsed from 1860 to 1870 had been years of great prosperity to France, that her commerce had largely expanded, that her wealth had immensely increased; nevertheless the old principles of protection were ingrained in many of her foremost men, and they would be sure to find vent for their views whenever an opportunity was offered. Therefore when the financial exigencies caused by the Franco-Prussian War made it necessary to provide a much larger annual revenue, the obligation which the Treaty of Commerce imposed to limit the import duties to certain rates became a source of difficulty, and M. Thiers, the President of the newly formed French Republic, showed himself adverse to its continuance. M. Thiers' budget was drawn up quite regardless of the Treaty of Commerce, and proposed the imposition of taxes to the extent of 10,000,000*l.* a year upon raw materials, textiles, and other manufactured goods, sugar, salt, navigation dues, declarations of imports and exports, matches, mobilière, and newspaper postage. A heavy taxation is always bad, but taxes which cripple industry and retard the production of wealth are worse. When, therefore, Messrs. Thiers and Puyet-Quertier brought forward their formidable tariff, considerable opposition was raised to it in the National Assembly, and formal proposals were made to substitute for it an Income-tax. M. Thiers, however, sternly adhered to his policy, made it a question

of confidence, and after much discussion he succeeded in inducing the Assembly to pass the measure in so far at least as regarded the raw materials. But the other portions of the measure could not be carried without the assent of the countries with whom the Treaty of Commerce was still in force, and M. Thiers trusted that though they might have a right to object, they would sympathise with France in her losses, and allow her to pursue the course dictated by her circumstances. Accordingly, disclaiming any intention of returning to a protective policy, the French Government addressed itself at once to England, and laid before her a formal proposal on the subject. The request was made, first, *in formâ pauperis*, praying for a remission 'in her hour of extreme need'; secondly, as a matter of right under the 9th article; and thirdly, under a threat that although if England agreed to the modification every security would be given against her being thereby placed in a less advantageous position than any other power; still, if the treaty be denounced, she must not expect that after it had expired, she would either in principle or in practice be placed upon the footing of the most favoured nation.

Public opinion, however, in England was decidedly against her being party to the return of protection in France in any shape. The British Chambers of Commerce were unanimous against it. We knew, that with the Treaties still in force with other states, France could not derive even financially any great advantage from the imposition of such duties. And we felt that the acceptance by England of such modification would be paraded abroad as a concession to protection. Therefore, with every assurance of sympathy, England rejected the overture, upon which the National Assembly passed a law authorising the Government to denounce, when necessary, the Treaties of Commerce with England and Belgium. And accordingly, on March 15, 1871, the denunciation of the Treaty was duly communicated. Whilst these negotiations were progressing, as regards the Treaty of Commerce, the French Government directed its attention to the state of the Navigation Laws with a view of once more levying tonnage dues and differential dues on shipping. The Navigation Laws in France were previously quite as restrictive as those of England, but in 1866, after long consideration, they had been repealed, and France embarked on the same policy of freedom as England had done before her. But French shipowners complained of the result, and to satisfy them M. Thiers introduced and succeeded in getting a law passed in February 1872, re-imposing differential duties, by which goods imported in foreign vessels, other than those arriving from French Colonies, were rendered liable to a *surtaxe de pavillon* at different rates from European countries, viz., from countries east of Europe on this side of Capes Horn and Good Hope, and from countries beyond the same border, besides other warehouse

duties, shipping and quay dues. With England, France had no navigation treaty. But she could not consistently with her treaty stipulations with other powers, levy such duties as *surtaxe de pavillon* and *surtaxe d'entrepôt*. She had therefore to wait until all such treaties are determined after giving the necessary notice. Notwithstanding, therefore, the passing of such laws they could not be put in force, and M. Thiers' efforts remained abortive of any results. On February 2, 1872, the National Assembly passed a law authorising the Government to denounce in due time the Treaties of Commerce concluded with England and France, the conventional tariff remaining in force until a vote of a new tariff by a National Assembly. Ultimately a new Treaty of Commerce was concluded on November 5, 1872, between France and England, consenting to certain changes in the French tariff and the Navigation Law, and placing England on the footing of the most favoured nation. By that treaty the provisions as regards the tariff were allowed to remain in force till January 1, 1877, and the provisions in regard to navigation to remain in force until July 15, 1879, and thenceforth until terminated by a declaration or protocol. A supplementary convention was concluded on January 24, 1874, between France and England.

The treaty of 1873 being binding only until the expiration of a year from the day of its denunciation by one or other of the contracting parties, the President of the French Republic, being desirous of giving to the French Government and to the Chambers their complete liberty of action, and of enabling them, when the Parliament should be called to do so, to decide before the close of the year 1879 on the commercial policy to be adopted with regard to the states with which France is bound by treaties, resolved to avail himself of the power of denunciation which he possessed, and notified that the treaty of July 23, 1873, would terminate on January 1, 1880. This denunciation, as subsequently explained by M. de Montebello, the French Ambassador in London, did not imply on the part of the French Government the intention to give up the conventional *régime*, but simply intended to free the hands of the Government when a new general tariff was under its consideration. 'La liberté d'action que nous aurons acquise nous permettra d'introduire dans l'échelle de nos tarifs quelques modifications de détail, dont l'expérience a fait reconnaître la convenance ou la nécessité, sans nous détourner toutefois des sages principes de liberté commerciale, sous l'égide desquels tant d'intérêts se sont groupés depuis dixhuit ans, et dont l'application a imprimé au travail national un essor si vigoureux.' The subject of the tariff is still under consideration in France, and meanwhile, on August 4, 1879, a law was passed authorising the Government to prolong the Treaties and Conventions of Commerce in existence, the duration of this prolongation not to exceed six

months from the promulgation of the new Customs Tariff. And a declaration to the same effect was thereafter signed by the British and French Governments, whilst a declaration prolonging the duration of the Treaty of Commerce and Navigation between Her Majesty and the King of Italy has been from time to time communicated.

SUGAR DUTIES.

The levying the sugar duties in this and other countries has always been attended with great difficulty. Previous to 1864, the sugar duties in England, France, Belgium, and Holland were charged in a most complicated manner in relation to the quantity of saccharine matter contained in them. The sugar duties in France were charged first at distinct rates between refined and unrefined, and then with a difference on unrefined between sugar equal to the first standard and inferior to the same; besides which a surtax was charged as the sugar came in foreign vessels from French or foreign territories; whilst the drawback was not allowed in a certain fixed sum, but in sums proportioned to the duties paid on the importation of the raw material. In the other countries the method was equally complicated, and in every one the public revenues were sacrificed in order to encourage the exportation of sugar. In England the drawback was paid to the exporters in money. In Belgium and Holland it was allowed as a deduction of duties, for which credit had been obtained. In England the drawback was calculated with reference to the raw sugar generally used for refining, on the basis that for every 77 lbs. of sugar exported, there should be repaid the amount of duty chargeable on 100 lbs. of raw. In France the drawback was calculated on 76 lbs.; in Holland, on 82 lbs.; and in Belgium, on 83 lbs., for 100 lbs. raw. In England the drawback was high, though comparatively small quantities of the higher sorts of refined sugar were used. In Holland it was probably as high, though sugars were admitted as unrefined, which here would have passed as refined.

It was under these circumstances that the proposal was first made by Belgium during her negotiations with France for the Franco-Belgian Commercial Treaty of 1861, to enter into an international agreement for abrogating the bounties on the manufacture and export of refined sugar. The suggestion was taken up, and at the instance of the French Government an International Conference was held in Paris in 1863, between Great Britain, Belgium, France, and Holland, the express purpose of which was to consider the possibility of establishing in the respective countries some uniform regulations by which the drawbacks allowed on the exportation of refined sugar should not exceed in amount the duty paid on the raw material. The Conference was renewed in 1864,

and the result of their deliberations was the Convention of 1864, between Great Britain, France, Holland, and Belgium, supplemented by the finding of the experiments made at Cologne, and confirmed by a diplomatic declaration,¹ signed November 20, 1866, which resolved on the common adoption of certain standards with a system of assessing duty according to the strength of the juice after defecation by means of the densimeter. Doubtless the relation then fixed between the colour and the quantity of saccharine matter was conscientiously arrived at by the delegates of the four powers, though there is reason to believe that a liberal margin was allowed in favour of the refiners of each country. Since then, however, industrial activity and scientific research have enabled the refiners to get a much greater yield of sugar than they previously could obtain from the same samples, and it has been further found that some of the richest sugars may be made to have the poorest colour, and some of the poorest sugars the most excellent colour. In fact it has been found easy to colour the sugar so that it may pass at a lower rate of duty than its richness would subject it to, and strangely enough the artificial coloration of sugar has been found justifiable by the French tribunals.

A French beetroot sugar manufacturer would sell sugar of a colour which belongs to the standard known as No. 10 to 13, and the refiner would be able to get it passed at the Customs as of the standard No. 7 to 9. But worse than this, the original French standards, made in conformity with those on which the Convention was based, are no longer in existence. The same having been found deteriorated in 1869, the French Government, in accordance with the 18th article of the Convention, conferred with the other powers with a view to the preparation of fresh standards. There was not, however, a general accord as to the expediency of renewing the samples, and the French Government proceeded of its own accord in the preparation of the same. Soon after this the unhappy and destructive war between France and Germany occurred, and a considerable delay in consequence took place in their preparation. But when ready the new types were found to be no longer the same in colour as their prototypes. How it happened no one can say, but some irregularity must have taken place, and it was certainly strange that the new types were not communicated at the same time to the whole trade, for whilst the sugar refiners of Paris were contracting by the new types, the manufacturers of

¹ By this declaration the minimum of the yield of sugar in the process of refining was fixed as follows, per hundred kilogrammes of raw sugar :—

Numbers of the Series of Dutch Standards	Refined Sugars in Loaf Kilogrammes.
18, 17, 16, 15	94
14, 13, 12, 11, 10	88
9, 8, 7	80
Below 7	67

beetroot sugar in the provinces were still contracting by the old types.

Now this difference between the legal and real yield, which had the effect of enabling the refiner to withdraw so much sugar from the grasp of the revenue officer, proved especially profitable to French refiners, in consequence of the great rise in the rates of duties in France, at a time when in the other countries such duties were greatly reduced or removed altogether. The rates of duties in 1863 and 1873 in England, France, Belgium, and Holland, were as follows :—

		1863
Belgium, per cwt.	. . . . .	18s 9d.
France, „	. . . . .	17s. 1d.
Holland, per 100 kilos.	. . . . .	35 fl.
United Kingdom, per cwt.	. . . . .	12s 8d. to 16s
		1873
Belgium, per cwt.	. . . . .	13s. 11d to 19s 6d.
France, „	. . . . .	27s 11d to 29s 2d
Holland, per 100 kilos	. . . . .	18 fl. to 25 fl. to 38 fl.
United Kingdom, per cwt.	. . . . .	1s. 9d. to 6s, subse-
		quently 10d to 3s, and now free.

Such a rise in the rate of duty as from 17s. 1d. per cent. to 27s. 11d. to 29s. 2d. gave to the French refiners an advantage from the difference of the yield which none of the other powers possessed, and they utilised it of course to the maximum extent. Thus the system of levying the sugar duties in France practically gave to French refiners a considerable advantage equivalent to a handsome bounty on exports.

But that which conferred such a boon to French refiners proved injurious to the French revenue, unjust to the sugar refiners of this country, and, we might even add, most deceptive to the French industry itself, every measure of a protective character being sure to have the effect of turning the refiner or manufacturer from solid to fictitious sources of strength, and making him careless and extravagant, was most unjust to British refiners. The British refiners put it thus. The duty is charged on the raw sugar in proportion to its estimated yield of refined sugar. That estimate is too low to the extent of about 10 per cent. When the refined sugar is presented for exportation, the refiner is credited with the full duty on it, and as he has produced 10 per cent. more refined sugar than was estimated in charging the duty on the raw sugar, it is clear that the drawback returned to him on the export of refined is 10 per cent. more than he has paid, and that is the bounty, which amounts to about 3s. per cwt., or 3l. a ton.² And

² In 1874 the quantity of raw sugar exported after refining was stated to be 234,770,007 kilos, representing, at the 'legal' equivalent, 185,874,883 kilos of refined. But the refiners really produced at least 211,293,006 kilos, showing an excess over the 'legal' quantity of 25,418,123 kilos, and the duty on that excess, constituting the bounty on export, was 18,636,550 francs. If to the bounty there be added the *Detaxe* on *Poudres Blanches*, the total will amount to upwards of 20,000,000 francs or 800,000l. sterling

what is the consequence? To secure this excessive drawback, the French refiners push their export trade to the utmost, and offer their sugars in other markets at prices considerably lower than they can be manufactured for, thus underselling all other competitors and gradually placing them one by one *hors de combat*.

Two methods have been suggested for remedying the evil. One is the use of the polariscope or saccharimeter, which gives an accurate indication of the quantity of sugar contained in the sample, but which can scarcely be said to be a safe guide to the yield of the sugar, since it requires so much care in using it aright, and may in the hands of custom-house or excise officers afford ample facilities for evasion and bribery. The other method is refining in bond, pure and simple. In the opinion of British refiners there is only one mode of solving the difficulty, and that is refining in bond. And to this the French Government is shut up, notwithstanding its extreme unwillingness to adopt such a course. In 1874 the French National Assembly, by a majority of 97, passed a law that refining in bond should be established on August 1, 1875. But the question was remitted to the Superior Council of Commerce, and they recommended as follows:—1st. That the Government should seek earnestly to introduce refining in bond as an international *régime*. 2nd. That the Government should endeavour to extend the new convention to the European powers, which were not parties to that of 1864, especially Germany, Austria, and Italy. 3rd. That in case the foreign powers should not accept refining in bond, the Assembly should be solicited to revise the law which established the same in France from July 1, 1875. 4th. And that in such a case, with the consent of the Assembly, the Government should endeavour to obtain the concurrence of the foreign powers upon using the saccharimeter ‘as a basis for the levying of the sugar duties.’ In June 1875 the National Assembly passed a law authorising the prolongation of the time for the introduction of refining in bond, the French Government summoned an International Conference, to be held at Brussels, for the purpose of urging on the other powers also the establishment of refining in bond. But Belgium was not prepared to adopt it, and Holland would not commit herself to such a policy. Nevertheless, an International Conference was held, of the same four powers, parties to the Convention of 1864, viz., Belgium, France, Great Britain, and the Netherlands, on May 24, 26, and 29, and June 1 and 2, 1875, and the result was a Convention by which France, the Netherlands, and England adopted the system of refining in bond, and Belgium agreed to alter the scale respecting the yield of sugar and to reduce the duties. The part taken by England is indeed exceedingly ambiguous and unsatisfactory. Article II. says:—‘In the event of duties on sugar being re-established in

England, supervision shall be applied to the factories and the refineries according to a method which will be the object of an agreement between the high contracting parties.’³ Why Great Britain should have contracted any such obligation, at a time when there was not the slightest chance that the sugar duties would ever be re-established, it is difficult to say. Had not the Committee of the House of Commons in 1862, definitively reported ‘that the evidence does not justify the committee in recommending the adoption of refining in bond;’ and had not the system, when it was in force from 1833 to 1854, proved an utter failure, so much so that scarcely any refiner refined in bond? To contract to establish refining in bond under such circumstances could only be empty talk and a delusive promise towards the other contracting parties. The Government of the Netherlands entered into an obligation to introduce refining in bond from September 1, 1876, evidently with great hesitation. The Minister of Finance commended the adoption of the same by the States General, on the ground that by means of such Convention only was there any chance for inducing France to put an end to the protective policy. But the Dutch are adverse to refining in bond, and the position of the Netherlands Government is too weak to be able to resist. Belgium rejected refining in bond, but agreed to alter the mode of levying the duties by raising the yield of the different standards of sugar and making a considerable reduction in the rates of duties, though no change appears to be made in the system of ‘abonnement;’⁴ a feature not very creditable to the skill of Belgian

³ The circumstances which have led to the acceptance of this clause by the British delegates are as follows —When this clause was first proposed, Mr Walpole said: ‘We have now no duties on sugar. If they should be reimposed, it might be in case of war or for a short period. In that hypothesis it would not be possible to establish the system of supervision; it would be attended with great expense to the refiners.’ The French delegates, however, required an engagement on the part of England, and Mr Walpole, having undertaken to obtain instructions from the Government, the English Government, by telegram, accepted the principle of supervision. In the despatch dated May 29, the British delegate said: ‘As regards the adoption of refining in bond by England, in the contingency of her reimposing new sugar duties, we take leave to state that this system was strenuously urged by Her Majesty’s Government for acceptance by all the parties to the Convention of 1864, at the Conferences of London, 1872, and Paris, 1873, and that we are not aware of any objections at the present time which would not apply equally at the time when the conferences above referred to were held, except that it would be difficult to apply this system at once if the duties were reimposed to meet a special emergency; but we propose to meet this difficulty by the addition of the words “à un délai de six mois,” which will be readily conceded, but this is a matter upon which, previously to the ratification of the Conventions, your Lordship may be pleased to obtain the opinion of the Commissioners of her Majesty’s Customs.’

⁴ The abonnement system is a legal composition for paying duty based on a sort of theoretical average. The manufacturer pays, not on the quality or type of the sugar really made (the Excise does not even see it), but on the presumed yield in sugar of the beetroot juice passed through the defecating pan. The legal *prise en charge*, or legally presumed yield, is 1,500 grammes of second-class sugar per hectolitre of juice, at 105 degrees of density, and at the temperature of 15

financiers. France, as well as the Netherlands, consented to refine in bond, but in a manner which gives reason to fear that the system of bounties would not be effectually checked. It would be unjust to charge the French Government with an absolute want of *bona fides* or deception in the whole of these transactions, but there was good ground for not entertaining much confidence in the sincerity or goodwill of France to abandon the system of bounties; and the British Government was more than once asked to put an end to the evil by imposing against such countries a small compensatory duty.

Eventually, the Netherlands Chambers rejected the Convention, though it carried a motion in favour of a renewal of negotiations. Again another Conference was accordingly held on the drawbacks on refined sugar in July and August 1876, of delegates from the four states. But no accord existed between them, and they dissolved in order to receive fresh instructions from their Governments. The Conference resumed its labours in February and March, and agreed on a draft Convention, to the effect, among other things, that in France and the Netherlands the sugar factories and refineries should be placed under supervision. But once more the Netherlands Government refused to accept the Convention, and the negotiations were thus practically suspended. It is under such circumstances that, on April 22, 1879, on the motion of Mr. Holms, the House of Commons appointed a Committee to inquire into the effects produced upon the home and colonial sugar industries of this country by the systems of taxation, drawbacks, and bounties on the exportation of sugar now in force in various countries, and to report what steps, if any, it is desirable to take in order to obtain redress for any evils that may be found to exist. The Committee examined numerous witnesses upon the matters referred to them, but they only reported the evidence already taken, and recommended that the Committee should be reappointed in the next session.

Would it be expedient or possible for the British Government to impose countervailing duties against French, Dutch, Belgian, or other foreign refined sugars to check the effect of such bounties? Would such a policy be consistent with the commercial policy of the country? Would it prove effective? Would it be desirable to enter into a war of tariffs with France and every other European and American state? Would the consumers of this country permit

degrees Centigrade The real result of course varies in practice *ad infinitum*, according to the qualities, seasons, and processes, but is always greater than the official figures The real average yield of twelve factories during a term of five years has shown by careful examination a result of 1,634 grammes, being nine per cent more than the legal *rendement* In Holland, where the abonnement is optional, it is fixed at 1,635 grammes, and it is voluntarily accepted by twenty out of the twenty-four manufacturers in preference to manufacturing in bond. (Sir H. Barron's *Report on Belgium*, 1874)

the restoration of duties on any such grounds? Surely not. The British refiners urged that the imposition by this country of countervailing duties on French sugars would not give any protection to British refiners, but simply restore the equilibrium between the exporters of refined sugar in the different countries. The adoption of retaliatory duties when such duties are not wanted for revenue purposes would certainly be antagonistic to our commercial policy. Suppose, moreover, such retaliatory duties were imposed on refined sugar coming from French ports, will they not be evaded by causing such sugars to come through Holland or Belgium? In truth, the proposal does not admit of discussion, as it is wholly inexpedient and impracticable. It is not likely that the Committee of the House of Commons will commit itself to a policy of so mischievous and retrograding a character, nor would the people of the United Kingdom ever consent to the same.

CHAPTER XIII.

STATE OF BRITISH INDUSTRY.

Industrial Progress of the United Kingdom.—Invention in the United Kingdom —Coal, Iron, and Steel —Products of Coal —Gas.—Colours —Paraffin. —Hardware. —Electro-plating. —Papier Maché.—Machinery —Chemical Manufacture.—Cotton and Woollen Manufactures.—Industrial Competition —Industrial Progress of Foreign Countries —Relation of Industrial Population to Industrial Progress —Need of extended Commercial Education.

THE International Exhibitions in London, Paris, Philadelphia, and Vienna, afforded an opportunity of comparing the latest achievements in productive industry. They were so many glorious festivals of industry. They provoked great emulation. They brought forth marvels of skill; and in one and all of them England was second to no other country in the variety and extent of the products and manufactures which she was able to exhibit. As a matter of fact, Britain is probably the greatest of all producers. She is a perfect beehive of human labour. Taking space and population into account, possibly there is no other country in the world where there is so large a proportion of actual labourers, where harder work is gone through all the year round, and where the reward of labour is more liberal than in the United Kingdom. No industrial census has ever yet been taken, and we have but little information of the geographical allocation of the different industries; but they are fairly spread over the country. Lancashire is the seat of the cotton manufacture; the West Riding of Yorkshire of the woollen and worsted; Birmingham of the metal manufacture; and Newcastle and Sunderland of the great coal mines of the country. But the best evidence of the increase of industry is the large increase of the urban population. In 1801 the town population of England was in the proportion of twenty-four per cent of the whole. In 1871 it was in the proportion of fifty-six per cent. Within the last seventy years the population of the metropolis increased 23 per cent.; that of Manchester 406 per cent.; that of Leeds, 416; that of Glasgow, 518; and of Bradford, 998 per cent.

Britain is rich in her mines. Coal will always hold the very first rank in her industries, not only for its intrinsic value as a source of wealth, but for its special value as a motive power in all other industries. One hundred years ago there was produced in Great Britain about 6,000,000 tons of coals per annum. Since

then, by improvements in the knowledge of the structure of the earth, by the general introduction of edge rails, of iron and horse-power and engine planes for the traction of trains of waggons, by the working of larger arcs from the same shafts, by improved ventilation, and by other discoveries, the production of coal has increased to 133,000,000 tons in 1878, nor, as we have already seen, is there any reason to fear that the coal mines may soon be exhausted. A most important result this, since coal is at present the only agent employed in the production of heat; and it has been ascertained that one pound of pure coal yields, in combining with oxygen, in combustion theoretically an energy equal to the power of lifting 10,180,000 lbs. one foot high, though the highest practical value realised is 1,200,000 lbs., or less than one-eighth of the theoretical value. In the production of coals, Great Britain is far in advance of all other countries. According to the latest accounts, whilst Great Britain produces about 130,000,000 tons a year, the Zollverein produces 26,000,000 tons, the United States, 20,000,000 tons, France, 12,000,000 tons, Belgium 10,000,000 tons, and Austria 5,000,000 tons. The development of the anthracite coal trade of Pennsylvania has been very marked. In 1820 the whole yield of the four great divisions of the anthracite region was 365 tons; in 1875 it was 20,000,000 tons.

Closely attached to the collieries are the iron mines. In 1788 the iron make of Great Britain was only 68,000 tons per annum. But immense improvements have been introduced since then. By opening new localities, by reducing the expense of fuel, by employing the cheapest material, by utilising the gases and waste heat of the blast and puddling furnaces, by modifying the character of the furnaces, by economising the wasteful processes of refining, and, above all, by substituting mechanical for human labour, the production of iron increased enormously, and in 1878 it reached 6,381,000 tons per annum of pig iron, representing a value of 16,155,000*l.*, whilst, if we take the manufactured iron in bar, sheet, and rails, the value would be double or treble that amount. Within the last thirty years Prussia, France, Belgium, and the United States have made considerable progress in the manufacture of iron; yet, at this moment, Great Britain produces four times as much as either of them, and a quantity greater than that produced by all the other countries of the world put together. One of the greatest inventions of modern times is Mr. Bessemer's process of making steel. In 1851 the entire production of steel in Great Britain was 51,000 tons. In 1878 the production of Bessemer's steel alone, independently of the quantity produced by the old method, amounted to 800,000 tons, besides the 174,000 tons of steel wire made in 1878 by the Siemen-Martin process.¹

¹ The consequence of the inventions introduced by Mushet, Krupp, Bessemer, Siemens, Whitworth, and many others, has been a large reduction in the price of

Coal and iron are moreover the parents of many other industries. From coal we get two most useful products, light and colour. About one hundred and fifty years ago the attention of men of science was directed to the stream of inflammable air issuing from wells and mines in the coal districts; and several communications on the subject were presented to the Royal Society. In 1738 the Rev. Dr. Clayton gave an account of certain experiments by which he distilled gas from coal. And, in 1792, Mr. William Murdoch constructed an apparatus by which he lighted with gas his own house and office at Redruth in Cornwall. Subsequently, part of the factory of Boulton and Watt was lighted in this manner; and, in 1807, gas was first seen in its full brilliancy in the Colonnade and front of Carlton House; whence, in a few years, it spread all over the kingdom, and we may say all over the world.

The extraction of colours from coal is still more recent. In 1825 Faraday, in an examination of the oily products separated in the compressed oil gas-holders, first obtained benzol. Several years after it was found that benzol, distilled with an excess of caustic lime, yielded a colourless volatile liquid identical with the substance previously prepared by Faraday. In 1845 Dr. Hoffman established experimentally the presence of benzol in coal-tar oil; and, in 1848, Charles Mansfield, in an experimental inquiry, carried on in Dr. Hoffman's laboratory, showed that an inexhaustible supply of this substance might be obtained from coal-tar. Benzol was then transformed into nitro-benzol and thence came aniline. The colorific tendency of aniline had long been known; but it was Mr. W. H. Perkins who first detected the industrial value, and took a patent for it in 1856. The first colour prepared by him was aniline-violet, better known as 'mauve.' In 1859 'Magenta' was obtained. Subsequently the same colour was obtained by the action of tetrachloride of tin on aniline red; a magenta dye was formed from it, and also a new product called rosaniline. Further discoveries procured additional colours, such as a beautiful crimson dye, Magdala, from naphthalin and alizarine; the tone of the colouring matter of the madder root from anthracene. Wonderful results these, when we consider how our manufacturing industry had hitherto depended on the importation of dyeing woods.

steel. Twenty-five years ago the price of cast steel tyres was 120s. per cwt., it is now from 18s. to 25s. per cwt. The price of forged steel cranked axles was, when first introduced, 15l. per cwt., it is now 65s. to 70s. per cwt. The price of straight axles and shafts was from 40s. to 50s. per cwt., it is now from 19s. 6d. to 23s. per cwt. By the recent processes of Messrs. Snelus, Gilchrist, and Thomas, iron containing a considerable portion, say 1.44 per cent., of phosphorus, may, in the course of its manufacture into either Bessemer or Siemen-Martin steel, have the deleterious matter entirely removed or reduced to an inconsiderable proportion. See Mr Robinson's *Address on the Development of the Use of Steel during the last Forty Years*, at the British Association at Sheffield, 1879

Not less important is the manufacture of paraffin from coal and kindred mineral substances. In 1781 Lord Dundonald obtained a patent for a method of extracting or making tar, pitch, essential oil, volatile alkali, mineral acid from coal; and, in 1812, an oil, identical with that of petroleum, was obtained from the asphalt limestone. In 1829 Reschenbach, the proprietor of chemical works in Moravia, discovered paraffin, a wax-like substance, which seemed to have no affinity for other bodies. In 1833 and 1834 Dr. Bley obtained a quantity of volatile oil and ammoniacal products by distilling from coals; but it was not until 1847 that a petroleum spring was found in Derbyshire, and, soon after, the manufacture of paraffin from coal attained a high degree of excellence. Recently, ozokerit, or mineral wax, has been discovered in a coal mine, and from it candles have been manufactured of a very luminous character.

From iron, and by means of iron, we have a hundred industries, passing by the general title of hardware. The Soho factory, planted by Matthew Boulton in 1796, produced a vast variety of articles, from steam-engines to buckles; but many of the most interesting branches are of very modern dates. The steel pen was known in 1809 and 1810, but was only developed as an article of industry in 1829. At the first meeting of the British Association in Birmingham in 1839 steel pens were almost unknown. Now they have almost superseded the quill. The electro-plating industry is quite new. It was the famous electrician Volta who first gave out that, when a pair, or a series, of different metals are brought into contact with a suitable liquid, a current of electricity is generated. Dr. Henry of Manchester found, that where a current of electricity passed through a conducting liquid it decomposed the ingredients of that liquid and caused their elements to be set free at the two immersed electric poles. In 1801 Dr. Wollaston wrote a paper in the 'Philosophical Transactions of the Royal Society,' where he stated that if a piece of silver in connection with a more positive metal be put into a solution of copper, the silver is coated over with the copper, which coating will stand the operation of burnishing. And, in 1805, a letter appeared in the 'Philosophical Magazine,' from Brugnatelli to Van Mons, announcing that he gild in a complete manner two large silver medals, by bringing them into communication by means of a steel wire with the negative pole of a voltaic pile, and keeping them one after the other immersed in ammoniuret of gold newly made, well saturated. In 1834 Mr. Henry Bessemer applied copper on lead casting, so as to produce antique heads in relief for mantel-piece ornaments; and, in 1838, Messrs. Elkington took out a patent for coating copper and brass with zinc by means of an electric current generated by a piece of zinc attached to the articles by a wire, and immersed in the metallic solution with

them. At the Exhibition of 1851 electro-plating was still treated as a new and untried discovery. Now, however, it is most extensively used.

But the most important among metallic industries is the production of machinery, those prime movers which so contribute to the development of power, those wonderful workers, so precise in their various changes and movements, remarkable alike for the embodiment of scientific principles and the introduction of rigorous exactitude in their mechanical contrivances. What has machinery done for industry was well said by the able reporter on machines and tools at the International Exhibition in 1862. 'The discovery of the steam-engine, capable of setting in motion an enormous quantity of manufacturing machines, and to carry their products by land or sea to every part of the world, led to a large and constant demand of mechanical constructions. The constructors were thus stimulated in their energies and ingenuity to find out new means, and the result was the large adaptation and improvement of lathes and drills, and the invention of the steam-hammer, forging press, punching and shearing, planing, shaping, slotting, and other machine tools with which are now constructed our steam-engines fixed or locomotive. The civil engineer, within our own recollection, compelled to build his bridges by employing the manual labour of workmen to drive the piles with hand monkeys, to pump out the water slowly with the Archimedean screw, and raise the superstructure by the aid of masons and carpenters, now drives the piles by steam power, and uses large steam pumping engines, or sinks cast-iron cylinders, and raises, by powerful cranes, the blocks of stone, or even an entire span, constructed at some ironworks. The shipwright, who formerly was accustomed to shape his timbers by the tedious labour of adzes, and put them successively together, month after month, now gives the curve to his angle-iron ribs, bending them with a few strokes, prepares all his iron plates by machinery, and rivets them in an expeditious manner. The roadmaker who, in past times, was entrusted with the establishment of the means of communication from town to town is now superseded by the railway engineer, who, disregarding hills, valleys, and rivers, and piercing the very mountains by machines, traces his lines from one end of the country to the other, in order to place his iron rails, upon which trains driven by engines travel at the rate of sixty miles an hour.'

In other departments of industry the change and progress have been as rapid. Quite a new industry has been introduced on the Tyne within the last forty years, in the manufacture of chemical products and processes, embracing carbonate of sodium, sulphuric acid, hydrochloric acid, and bleaching powder. In 1840 the exports of alkali were only 85,200 cwt.; in 1878 they amounted to 5,644,000 cwt. It was only in 1814 that Leblanc's invention

was introduced into this country, but by the skill of Mr. Charles Tennant of Glasgow, the energy of Mr. James Muspratt of Liverpool,² and the application of capital and industry, the chemical industry has acquired immense importance, and gives employment to a large number of people.

Nor have the older industries been standing still. In the cotton manufacture there has been an immense improvement. In 1790 a spinner could only produce a hank per spindle per day; in 1812 he could produce two hanks per day; and, in 1830, 2.75. The self-acting mule is a wonder of precision. The manufacture of calico is a wonder of perfection. Muslins are made superior far to the Indian muslin. The lace manufacture and the whole of the hosiery industry have been created, we may say, since 1815. In the woollen machinery the improvement has been very great. The worsted has made gigantic progress. The first spinning machinery was erected in Bradford in 1790, when a few frames were set up in a private house. Now the machinery used in Bradford is nearly as perfect as that used in Manchester. In 1834 manufactures of worsted weft and cotton warp were first introduced. In 1836 the alpaca wool was introduced, and soon after mohair, or goat's wool, from Asia Minor. The increase in every branch of textile industry has been rapid and great, causing an immense consumption of the raw materials, and a corresponding development in the number of factories for spinning and weaving. In 1878 there were 6,158 factories, and the total value of cotton, woollen, silk, and linen merchandise and yarn exported reached 98,000,000*l*. Mr. Isaac Watt, in his article on cotton in the 'Encyclopædia Britannica' gives the amount of capital invested in the cotton manufactures in the United Kingdom in 1876 at 90,000,000*l*.

One branch of British industry has greatly altered within the last fifty years. In shipbuilding, the introduction of iron ships and steam power has greatly displaced the industry from a number of localities, and concentrated it where coals and iron are within easy reach. In 1829, the shipping belonging to the United Kingdom and British Colonies was 2,517,000 tons; in 1878 it was 8,329,000 tons. But the chief increase has been in the ports of Liverpool, London, Glasgow, Greenock, the Tyne, and Hull. And a considerable increase took place in the shipping belonging to the North American Colonies. But few timber ships are now built, and steam ships are rapidly gaining ground over sailing ships.

With an advance so marked in these and almost every branch of human industry, England is well able to meet universal com-

² The value of the production of the Lancashire and Tyne branches of the Alkali manufacture was in 1866 4,000,000*l*, and the quantity of salt decomposed for the purpose 351,000 tons

petition. It is, on the other hand, as evident, that other countries have enormous resources, and that they do no longer labour under any insurmountable difficulty in procuring their full development ; that with an open sea, with railways, and river and canal communication, they possess ample means for the conveyance of coals, goods, and produce, at a comparatively insignificant cost ; that, under the energising influence of free trade, though as yet scarcely understood and very imperfectly adopted, continental nations have become eager for improvement ; and that with them, as with us, the first effect of open competition has been an increasing attention to the economic laws of production, especially by the exercise of augmented energy, greater economy of power and of time, and an increasing use of machinery. Capital is not only increasing everywhere, but is largely invested in commerce and manufacture, as more attractive and profitable than agriculture ; keenness for trade and devotion to mercantile enterprises are being widely spread, and the love of comfort and material wealth has produced a much greater appreciation of the substantial benefits of labour and industry than has ever before existed. Nor is it possible to witness the wonderful display of machinery at the recent exhibitions without perceiving that, even in that primary element of strength, Britain is no longer without formidable competitors.

It has, moreover, become evident that continental nations have striven to diffuse a technical knowledge of manufacture and design by means of their technical schools. In 1867 Mr. Bernard Samuelson, M.P., wrote a letter to the Vice-President of the Committee of Council on Education, concerning technical education in various countries abroad, in which he affirmed, 'That the rapid progress of many trades abroad has been greatly facilitated by the superior technical knowledge of the directors of works everywhere, and by the comparatively advanced elementary instruction of the workers in some departments of industry.' The author of this work made a report to the Privy Council on technical, industrial, and professional instruction in Italy and other countries. The Chambers of Commerce reported on the trades injured by the want of a technical education ; and, in 1868, a committee of the House of Commons was appointed for the purpose of inquiring into the provisions for giving instruction in theoretical and applied science to the industrial classes. The report gave detailed information on the state of scientific instruction of the foremen and workmen engaged in manufactures, the smaller manufacturers and managers, and the proprietors and managers-in-chief of larger industrial undertakings ; as well as the relation of industrial education to industrial progress in different countries. 'The industrial system of the present age,' said the committee, 'is based on the substitution of mechanical for animal power ; its development is due in this country to its stores of coals and of

metallic ores, to our geographical position and temperate climate, and to the unrivalled energy of our population.' 'The acquisition of scientific knowledge was shown by the witnesses to be only one of the elements of an industrial education and of industrial progress. And although the pressure of foreign competition, where it existed, was considered by some witnesses to be partly owing to the superior scientific attainments of foreign manufacturers, yet the general result of the evidence proved that it was to be attributed mainly to their artistic taste, to fashion, to lower wages, and to the absence of trade disputes abroad, and the greater readiness with which handicraftsmen abroad in some trades adapted themselves to new requirements. Nearly every witness spoke of the extraordinarily rapid progress of continental nations in manufactures, and they attributed that rapidity not to the model workshops which are met with in some foreign countries, and were but an indifferent substitute for our own great factories and for those which are rising in every part of the continent, but besides other causes, to the scientific training of the proprietors and managers in France, Switzerland, Belgium, and Germany, and to the elementary instruction which is universal amongst the working population of Germany and Switzerland. All the witnesses concurred in desiring similar advantages of education for the country, and were satisfied that nothing more was required and that nothing less would suffice in order that we may retain the position which England held in the van of all industrial nations.' The committee then made several recommendations with a view to the extension of scientific teaching into secondary schools, and the establishment of superior colleges of science, and schools for special scientific instruction in the different centres of industry. And in furtherance of these recommendations the Committee of Council on Education offered additional grants to schools for science classes. Mr. Whitworth, with princely liberality, founded thirty scholarships of the annual value of 100*l.* each, to be applied for the further instruction of young men, natives of the United Kingdom, selected by open competition for their intelligence and proficiency in the theory and practice of mechanics and cognate sciences, with a view to the promotion of engineering and mechanical industry in the country. And a royal commission was appointed to make inquiry with regard to scientific instruction and the advancement of science, which published several reports, and recommended, among other things, the endowment of scientific research.

But nothing has yet been done to advance the theoretical and practical knowledge of commerce in the United Kingdom after the example of the Superior Institute of Commerce at Antwerp, the Superior School of Commerce at Paris, the Technical Schools of Commerce in Italy, and the Commercial Colleges in the United

States of America. It is to be regretted that England, the very centre of the commerce of the world, should be deficient in the means of elevating the character and enlarging the understanding of those engaged in trade; that our mercantile classes should be left to acquire, often at the cost of dearly-bought experience, the knowledge of even the first principles which govern mercantile intercourse; that the important economic phenomena exhibited by the money market and foreign exchanges should to the large majority appear but enigmatic problems and be seldom apprehended in their nature and bearing; that the instruments of commerce, such as bills of exchange, bills of lading, and policies of insurance, should be mechanically handled with little or no knowledge of the signification of their different classes; and that the laws affecting mercantile relations, such as partnership, agency, sale, shipping, and insurance, should be altogether unknown to the large majority.

PROGRESS OF BRITISH INDUSTRY

Declared value of the principal articles of British and Irish produce exported.

(,000 omitted)

—	1828	1878
	£	£
Alkali	—	1,975
Apparel	910	3,176
Arms and Ammunition	336	1,228
Chemicals	—	1,893
Coal	145	7,330
Cotton manufacture	12,483	52,918
„ yarn	3,595	13,017
Earthenware	502	1,794
Glass manufacture	500	755
Haberdashery	1,166	3,961
Hardware	1,387	3,393
Hats	197	1,082
Iron and Steel	1,227	18,393
Jute manufacture	—	1,588
Leather, wrought and unwrought	363	3,180
Linen manufacture	2,120	5,535
Linen and Jute yarn	—	1,394
Machinery	262	7,498
„ tools	—	421
Salt	154	502
Silk manufacture	256	1,923
„ yarn	—	565
Soap and Candles	269	575
Tin	414	413
Woollen manufacture	5,126	16,727
„ yarn	—	3,908
Other articles	—	—
Total	36,813	192,849

CHAPTER XIV.

STATE OF BRITISH COMMERCE.

Triumphs of Commerce — Progress of British Commerce. — British Imports — British Exports — Direction of Exports — Navigation, Banking, and Currency. — Insurance — The Home Trade — Increase of Property. — Use of Wealth in the promotion of Science and Art — Use of Wealth in works of Benevolence — True Source of British Prosperity. — Influence of Commerce on the Peace of the World.

WE have now concluded our examination of the various circumstances which have had a direct or indirect influence on British commerce, from the advent of the great mechanical inventions in the cotton manufacture to the present time, a period of about one hundred years of incessant activity, and of almost superhuman effort in the promotion of material progress. What has commerce done for England—ay, for the world—during this century? It has stimulated the active powers of man, and developed to an almost unlimited extent the resources of nature; it has promoted enterprise, discovery, and inventions; it has advanced agriculture, mining, and fisheries; it has made of the sea the highway of nations, and rendered rivers, canals, roads, railways, and telegraphs instruments of intercourse between the most distant states. Ignorance, prejudice, and wars have thwarted the progress of commerce, yet, with its enlightening, diffusive, and pervasive power commerce stretched its action and influence over all regions. From being the humble vocation of the few it succeeded in attracting the attention of whole communities, and where once it was held in contempt as a sordid and mean occupation, the time has come when commerce has become itself a power which exercises a mighty influence on the politics of nations, and in a great measure controls the conduct of states.

The increase of commerce in the United Kingdom during the last one hundred years is something wonderful. In 1763 her population probably was 10,000,000. In 1878 it was 34,000,000. But if the population has trebled, the imports increased from 10,000,000*l.* to 368,000,000*l.*; the exports from 13,000,000*l.* to 193,000,000*l.*; the navigation of ports from 1,500,000 tons to 52,000,000 tons; and the shipping belonging to the United Kingdom from 550,000 tons to 6,555,000 tons. This is the rate at

which British commerce has been increasing; and even these large figures give only an imperfect idea of their real value. A trade amounting to about 614,000,000*l.* a year in a population of 34,000,000, means immense activity, large increase of comforts, and great accumulation of wealth.

The twenty-one millions of tons of shipping which entered at ports in the United Kingdom laden with precious produce from all parts of the world, estimated in value at 368,000,000*l.*, brought large quantities of raw materials for our manufactures, of articles of food for the masses of the people, and of foreign merchandise to satisfy the increasing wants of the community. Of raw materials our manufacturers stand in absolute need. Whatever shortens the supply of such articles as cotton, silk, and even wool, limits the power of production. A bad crop of cotton in the far distant regions beyond the ocean, a disease in the cocoon, or any other calamity which increases the price of these articles, is so much actual loss to whole communities in Lancashire and Yorkshire, and through them to the whole kingdom. In 1840 there were entered for home consumption in the United Kingdom 4,545,000 cwt. cotton, 48,421,000 lbs. wool, and 1,896,000 cwt. flax. In 1878 the consumption was 10,634,000 cwt. cotton, 200,000,000 lbs. wool, and 5,900,000 cwt. flax, hemp, and jute. The world, we are thankful to say, has ample stores of produce to supply us with food, and, thanks to free trade, our people can get it whenever wanted. A large portion, indeed, of our population now depends on foreign corn, and we could not well do without the oxen and bulls, sheep and lambs, bacon and beef, butter and cheese, sugar and coffee, fish and eggs, which come in so great quantities. From 1840 to 1878 the increase in the consumption of foreign articles of food has been very large. The consumption of butter has increased from 1·05 lbs. to 5·82 lbs. per head; of cheese, from ·92 lbs. to 6·37 lbs. per head; of corn, from 42·47 lbs. to 188·29 lbs. per head; of tea, from 1·22 lbs. to 4·66 lbs. per head; of sugar, from 15·20 lbs. to 58·83 lbs. per head. What folly, what crime, was it by law to hinder the people from getting what will sustain life! And our people are well pleased to use foreign clocks and watches, foreign gloves and silks, and other articles of finery, which our neighbours near or far can produce cheaper or better than we can. The interest of the largest number should always be the first consideration in any sound legislation. Of the 360,000,000*l.* of imports nearly 150,000,000*l.* consisted of raw materials, 150,000,000*l.* of articles of food, 50,000,000*l.* of manufactured articles, and the remainder of other products and merchandise.

Of course, if we import largely we also export extensively. A great part of our imports represents what is actually due to Britain in profits, in freights, in interest of money invested abroad, and for other purposes; the remainder we pay for in goods and produce,

or it may be in bullion. What gives an open market to British merchandises all over the world is their universal adaptation to the wants of man wherever situated. Luxuries are useless to the great mass of the people; but calico, iron, hardwares, are so useful and so cheap that they readily find purchasers even among the most uncivilised. Machinery gives to British producers immense facility; but our labourers are really good workers, and, even although wages are higher here than elsewhere, the labour performed is cheaper, from its greater effectiveness, and from the saving of unnecessary supervision.¹ Cotton comes to us from America, a distance of thousands of miles; yet our ability to manufacture it is so great that we can pay the freight and profits, and send it back again in a manufactured state, cheaper than the Americans can manufacture it for themselves. The exports of British produce and manufactures nearly quadrupled since 1840, the increase having been from 51,406,000*l.* in 1840, to 192,849,000*l.* in 1878. During the last fifty years there has been some change in the distribution of our exports. A somewhat less proportion goes now to Europe and to America, but a larger proportion to Asia, Africa, and Australia. Between 1840 and 1878 the exports to Europe decreased from 51 per cent. of the whole to 47 per cent., and to America from 37 to 21 per cent. But the exports to Asia increased from 10 to 15 per cent.; to Africa from 2 to 5 per cent.; and to Australia from almost nothing to 11 per cent. If we divide our exports as between foreign countries and British colonies and possessions, we find that both in 1840 and 1878 one-third of our exports was sent to the colonies, and two-thirds to foreign countries, notwithstanding the immense increase of our trade with India and Australia.

But it is worth while to dwell a little longer on the peculiar direction of our exports. In 1840 our largest customers in Europe were, in their order, the Hanse Towns, Holland, France, Italy, and Russia. In 1878 they were Germany, France, Holland, Russia, and Italy. Turkey is usually classed as an European, but to a large extent it is an Asiatic state. The trade with Asia shows a great increase with China and Japan, besides British India, the Straits Settlements, and Hong Kong. In Africa we have large transactions with Egypt, as well as with the Cape of Good Hope. As regards America, the half of our exports is to the United States, and the other half is divided between the British Colonies and the South American states. And Australia has become one of our largest outlets. Comparing the amount of our exports of British produce and manufactures with the population of these countries, we find that Belgium takes them in the proportion of 1*l.* 0*s.* 8*d.* per head; the United States of America in the proportion of 7*s.* 6*d.*; France at the rate of 8*s.*; Italy of 4*s.*; and Russia at the

¹ See the able works published on this subject by Mr. Thomas Brassey, M.P., *Work and Wages* and *Foreign Work and English Wages*

rate of 1s. 9d. per head.² Competition between native and British produce and the inability of the people in many countries to purchase our manufactures, are the great checks to the increase of British exports. To our exports of British produce and manufactures we should add the export of foreign and colonial merchandise, which, in 1878, amounted to 52,600,000*l.* England has long been a great *entrepôt* for the produce of all countries, and large profits are derived from the freight, storage, insurance, labour, wages, and interest of capital employed in this branch of foreign trade. And there is no reason why gold and silver bullion and specie should not be incorporated with our trade accounts. Are they not merchandise? In 1878 the imports of them amounted to 32,422,000*l.*, and the exports to 26,686,000*l.*

As we have seen, a considerable amount of tonnage is now employed in the foreign and coasting trade of the United Kingdom, and notwithstanding the great competition, the British flag floats on every sea. When Mr. Huskisson dared to invade the sacred domain of our protectionists, the Navigation Laws, and Mr. Labouchere, twenty years later, abolished for ever the monopoly which they secured, all manner of evil forebodings were urged by our shipowners. What have been the results of that policy? Have British ships retired from the contest? Are they less employed? Is shipbuilding less profitable? In 1849, the year when the Navigation Laws were abolished, the shipping entered and cleared was in the proportion of 70·9 per cent. British, and 29·1 foreign. In 1878 the proportion was 68 British and 32 foreign. The efficiency of our shipping has likewise considerably increased. In 1849, with a tonnage of 3,096,000 tons of British ships employed in the home and foreign trade entered and cleared, there were 9,670,000 tons of British ships, being at the rate of about 3 tons trade to each ton of shipping. In 1878, with a tonnage of 6,555,000 tons, the British tonnage entered and cleared was 35,291,000 tons, being at the rate of 5·38 tons trade to each ton of shipping.³ The abolition

² In proportion to population the amount of British produce and manufactures consumed in different parts of the globe is as follows:—

—	Population	Amount of Exports	Proportion per head
		£	£ s d
Europe	320,000,000	84,000,000	0 5 4
Asia	600,000,000	38,000,000	0 1 0
Africa	190,000,000	11,000,000	0 1 0
America	80,000,000	41,000,000	0 10 0
Australia	2,000,000	19,000,000	9 10 0
	1,192,000,000	193,000,000	0 3 2

³ The increase of steam ships has materially aided the increase of navigation. In 1840 the United Kingdom had only 771 steamers, 87,000 tons. In 1878 she had 4,826 steam vessels, 2,316,000 tons.

of the Navigation Laws has been a source of strength, not of weakness, to British shipping, and the amount of freight now earned far exceeds what was received in former years.

What better evidence of the activity of business in the United Kingdom at the present moment than the Post Office? In 1839 the estimated number of letters delivered in the United Kingdom was 76,000,000, or scarcely 3 letters per head of the population. In 1878 the number of letters delivered was 1,097,000,000, or more than 32 letters per head, showing an increase of 800 per cent., to say nothing of the 328,000,000 book packets, newspapers, and pattern packets, and 26,000,000*l.* money orders issued by the Post Office. Some idea of the relative importance of the principal towns in the kingdom may be formed by the number of letters delivered from their respective post offices. The number of telegraphic messages forwarded from postal telegraphic stations in 1870 was 8,606,000, in 1878 22,477,000.

To facilitate the enormous transactions of commerce the intervention of bankers is of the greatest utility. The functions of a bank in the commercial body have been compared to those of the heart in the human body. It attracts to itself capital, the life-blood of commerce, from every direction in the minutest rills, and having accumulated it in a great reservoir propels it through all the arteries and channels of commerce, vivifying and nourishing it, and spreading vigour and health through the whole commercial body. At the end of December-1878 the Bank of England had a capital of 14,553,000*l.*, a note circulation of 30,282,000*l.*, and deposits public and private to the extent of 30,324,000*l.* The London joint-stock banks had collectively a capital amounting to nearly 12,649,000*l.*, and deposits which reached 127,860,000*l.* The Scotch banks had a capital of 8,250,000*l.*, and deposits and current accounts amounting to 64,000,000*l.* The Irish banks also had a considerable amount. The supply of a sufficient amount of currency attracted great attention not many years ago, and the Bank Charter Act, which restricted the amount of one species only of the same, the bank notes, was the subject of great and acrimonious discussion. But the bank note circulation bears a smaller relation now to the commerce of the country than ever it did. In 1840 there were notes in circulation, including notes of the Bank of England, country banks, Scotch and Irish banks, to the extent of 13*s.* 8*d.* in the pound of the exports of British merchandise.⁴ In 1878 that form of circulation was reduced to 4*s.* 5*d.* in the pound of the exports. Other forms of circulation are now in operation. The number of stamps sold for bills of exchange increased from 4,780,000 in 1859 to 9,685,000 in 1869. The number of banking cheques impressed with the 1*d.* stamp in

⁴ The circulation of the Bank of England notes, which in 1792 amounted to 11,417,000*l.*, in 1870 was 24,410,000*l.*, and in 1878, 28,000,000*l.*

the United Kingdom in the year ending March 31, 1861, was 31,000,000, and in the year ending March 31, 1871, about 52,000,000. The clearing house economises the currency to an enormous extent. Mr. Babbage estimated that in 1839 the daily average amount cleared was 3,000,000*l*. In 1869 the daily average was 10,400,000*l*. There is a considerable difference also in the rapidity of the circulation. In 1844 a five pound note remained in circulation for 105 days; in 1871 it remained in circulation only 79 days.⁵ At one time a considerable amount of currency was required to pay customs duties; in 1855 the system was introduced of paying them by drafts.

For the security of trade there are institutions of great value, which give rise to transactions of considerable importance, and prominent among these is the business of insurance against fire and marine risks, and life insurance with its invaluable application for the security of debts. In 1783 the sum insured against fire in England and Wales was 173,000,000*l*. In 1867 the amount insured in the United Kingdom was 1,365,000,000*l*. The amount of marine insurance must be large if we include the operations at Lloyds and those of the public companies.⁶ And so it is also with life insurance, for which the offices are liable to the extent of upwards of 415,000,000*l*., the premium income being 10,920,000*l*., and the accumulated fund of the companies, 114,000,000*l*.⁷

The home trade consists, first, in supplying the wants of 34,000,000 of people, wants larger or smaller in proportion to their affluence or poverty; and, secondarily, of the home transactions arising out of the foreign trade. Suppose, for instance, every man, woman, and child in the United Kingdom to consume only twenty pounds worth in food and clothing in one year, the annual amount would be 680,000,000*l*. But three transactions, at least, take place in every individual instance, from the producer to the merchant, from the merchant to the retailer, and from the retailer to the consumer, and thus upwards of 2,000,000,000*l*. of transactions annually depend on the home trade. But 20*l*. is a

⁵ The life of a bank note may be taken to have been as follows —

—	5 <i>l</i> .	10 <i>l</i>	20 <i>l</i> to 100 <i>l</i> .	200 <i>l</i> . to 500 <i>l</i>	1,000 <i>l</i> .
	Days	Days	Days	Days	Days
1844	105	87	38	14	12
1871	79	64	26	8	9

⁶ The tonnage of British and foreign vessels entered and cleared at ports with cargoes and in ballast in 1878 was 51,595,000 tons. At 6*l*. per ton they represent 309,570,000*l*. The value of merchandise imported and exported in 1878 was 614,254,000*l*., making a total amount of property at sea of 923,824,000*l*. Some proportion of this value may be insured abroad, but the insurances made at Lloyd's on foreign ships engaged in the foreign trade must be considerable.

⁷ See the British Life Insurance Chart, by William White, Esq, F.S.S.

very low estimate, for that represents only 4s. per week for each individual, or two pounds a week for a family of five. If we take into account the middle and the higher classes, some of whom possess enormous wealth and indulge in wasteful luxury, the expenditure of the people will be found to be considerably more than the amount named. Add to this large amount the home operations connected with the exports, which amount in round numbers to 200,000,000*l.* Let there be only two operations, between the producer and the manufacturer, and the manufacturer and the exporters, and we have 400,000,000*l.* from this source, giving a total of 2,400,000,000*l.* as the approximate value of the home trade.

The colonies of the empire have prospered enormously within the last twenty-five years. Ever since they were enfranchised from the disabilities which the Navigation Laws imposed upon them, and the colonial system was for ever abandoned, they acquired a new impulse and fresh life. They are, indeed, only British colonies, dependent on, and attached to, the mother country by ties of interest, gratitude, and friendship; nevertheless, all of them, and especially those which possess representative institutions and responsible governments, in which the Crown has only a *veto* on legislation, have practically become free states—free to regulate their policy as best they think for the interests of the colonies. Alas, that some of them use their freedom in the adoption of a commercial policy not always consonant with their permanent advantage, and in utter disregard of the interests of the mother country! The recent tariffs of the Dominion of Canada and of the Australian colonies have given rise to just complaints in these particulars.⁸ The imports and exports of merchandise of the principal groups of colonies in 1850 and 1877 exhibit an enormous progress, but it is remarkable that, whereas in 1850 the half of the colonial trade was with the United Kingdom, in 1877 the proportion was only 25 per cent.

The trade of the British colonies has increased considerably, and a large portion of the same is carried on either direct by British merchants, or through the agency of commercial houses in the United Kingdom. It is through London that the monetary transactions arising from the colonial trade are balanced, and it is mainly with British capital that the resources of the colonies are being developed. But British houses are also established in foreign countries, and in their hands is a good share of foreign commerce. Truly the trade of the world is greatly beholden to British industry and enterprise for its wide expansion and enormous importance.

⁸ See Return of the Rates of Duty levied on certain articles imported with the principal Colonial and other possessions of the United Kingdom in each of the years 1859 and 1879 (218 of 1879)

Total trade of the principal British colonies and dependencies :—

—	1850 Imports and Ex- ports	1877 Imports and Ex- ports	Per cent. increase
	£	£	
British India	31,981	113,921	256
Ceylon	2,337	11,616	384
Straits Settlements	—	25,323	—
North American	11,375	39,460	246
West Indies	6,377	11,346	177
British Guiana	1,600	5,239	227
African Colonies	3,454	13,372	287
Australia and New Zealand . .	9,027	93,688	937
	66,121	313,965	374

Amount of trade of British Colonies with the United Kingdom :—

—	1850	1877	Increase per cent	Decrease per cent.	Percentage of Colonial trade with the United King- dom, to total trade	
					1850	1877
British India . .	13,751	29,313	113	—	43	25
Ceylon	997	4,251	326	—	42	36
Straits Settlements	—	2,181	—	—	—	36
North American . .	4,930	9,267	87	—	43	24
West Indies . . .	4,362	3,942	—	9	68	34
British Guiana . .	1,258	1,955	55	—	78	37
African Colonies . .	2,856	4,230	48	—	85	31
Australia and New Zealand. . . .	5,415	23,500	333	—	60	25
	33,569	78,639	134	—	50	25

CHAPTER XV.

COMMERCIAL AND ECONOMIC PROGRESS, 1870-1878.

Economic Condition of the People.—Increase of Trade and of Wealth.—Deposits at the London Joint Stock Banks—Amount Assessed to Income Tax.—Changes in the Value of Silver—Savings' Banks—State of Finances.—Treaties of Commerce.—Progress of Textile Industries.

GREAT was the activity of trade after the conclusion of the Franco-Prussian war in 1871, and considerable encouragement was given to production. The demand for labour was consequently large. Wages increased, and prices rose, in many cases, to extraordinary limits. But production can proceed without intermission, the demand does not always keep pace with the supply. Consumption marches slower than production, and slower still when high prices place the commodities beyond the reach of the masses. And thus, after a few years of general excitement, there comes a corresponding reaction. Meanwhile the economic condition of the people greatly improved. Much, indeed, was spent in luxuries and wasted in excess; yet a considerable amount was set aside and invested in savings' banks, in building societies, in co-operative societies, and in friendly societies of many forms.

The following shows the increase of consumption in the principal articles of food and drink :—

—	1870	1878	Increase	Decrease
Bacon and Hams, lbs. . .	1 98	12 60	546	—
Butter . . .	4 15	5 82	40	—
Sugar, raw . . .	41 40	48 56	17	—
„ refined . . .	5 83	10 27	76	—
Tea . . .	3 81	4 66	22	—
Tobacco . . .	1 34	1 45	1	—
Wine . . . gallons . . .	0 49	0 48	—	2
Spirits, British . . .	0 74	0 88	18	—
Malt, bushels . . .	1 84	1 91	3	—

The amount of trade greatly increased from increased quantities, and especially from increased value. The imports, which in 1870 amounted to 303,257,000*l.*, rose by successive steps to 394,419,000*l.* in 1877, from which they fell in 1878 to 368,770,000*l.*

The exports of British produce and manufactures in 1870 amounted to 199,586,000*l.* In 1872 they rose to 256,257,000*l.*, and from that point they fell to 192,849,000*l.* in 1878, the total trade being as follows :—

Year	Imports £	Exports (,000 omitted.) British, Foreign, and Colonial Produce		Total £	Proportion per head		
		£			£	s.	d
1870	303,257	244,080		547,338	17	10	10
1875	373,939	281,612		655,551	20	0	4
1878	368,771	245,483		614,254	18	3	6

The deposits at the London Joint Stock Banks were as follows :—

—	1870	1875	1878
	£	£	£
London and Westminster .	21,986,196	28,774,117	22,385,767
London Joint Stock . . .	17,315,027	19,369,967	13,849,585
Union Bank	11,207,634	14,198,134	12,398,337
London and County . . .	13,396,251	21,399,784	21,474,916
City Bank	2,436,186	3,336,281	2,872,066
National Bank	5,540,543	8,864,247	8,097,793
Metropolitan	542,999	286,006	676,836
Consolidated	2,341,817	2,842,009	2,560,365
Alliance	1,351,165	1,920,515	1,621,724
Imperial	1,529,172	2,022,792	1,807,716
London and South Western	542,430	1,101,641	1,559,978
Central Bank of London .	—	843,409	964,789
Total .	78,189,420	104,958,902	90,269,872

The amount of transactions at the clearing-house was as follows :—

	Total (,000 omitted)			
	£	4th of the month £	Stock Exchange Account day £	Consols Settling day £
1869-70	3,720,623	168,323	594,763	148,822
1874-75	6,013,299	255,950	1,076,585	260,338
1878-79	4,885,091	212,241	811,072	221,264

Considerable fluctuations took place in this period in the price of bar silver, consequent partly on the increasing production of that metal, and partly on the adoption by Germany of the gold standard. Messrs. Pixley & Aball, bullion brokers, in their circulars, recorded the annual average prices as follows :—

1871	60 $\frac{1}{8}$	1875	56 $\frac{7}{8}$
1872	60 $\frac{5}{16}$	1876	52 $\frac{1}{2}$
1873	59 $\frac{1}{4}$	1877	54 $\frac{13}{16}$
1874	58 $\frac{5}{16}$	1878	52 $\frac{9}{16}$

The Indian exchanges fell in proportion.¹

¹ See Colonel Smith's *Essays on Silver and the Indian Exchanges* (Effingham Wilson).

The income assessed to income tax increased as follows :—

(,000 omitted)

Schedule	1870	1878
A. Lands and Tenements	£ 146,526	£ 174,173
B. Occupation of Land	58,007	69,238
C. Annuities and Dividends	35,700	39,968
D. Professions and Trade	178,378	256,909
E. Public Offices, Pensions	26,301	30,043
	444,914	570,331

The amount of capital held by the Trustees Savings' Banks increased from 37,959,000*l.* in 1870 to 44,293,000*l.* in 1878, and the amount held by the Post Office Savings' Banks from 15,099,000*l.* in 1870 to 30,412,000*l.* in 1878. In 1870 the amount expended for the relief of the poor in England and Wales was 7,644,000*l.*, in 1878 it was 7,689,000*l.*, whilst the number of paupers decreased from 1,079,391 on January 1, 1870, to 800,426 on January 1, 1879.

Mr. Gladstone's administration, with Mr. Lowe as Chancellor of the Exchequer, continued to enjoy considerable popularity, and the financial condition of the country being favourable, the income tax was reduced, the sugar duties were abolished, and many excise and stamp duties were repealed or reduced. In February 1874 the Earl of Beaconsfield's administration was formed, with Sir Stafford Northcote as Chancellor of the Exchequer; but since then no further reforms in the revenue were made. The expenditure, which in 1873 amounted to 70,714,000*l.*, rose in 1878 to 85,408,000*l.* The funded debt, which in 1873 was 727,374,000*l.*, diminished in 1878 to 709,400,000*l.*; but the unfunded debt, which in 1873 amounted to 4,829,000*l.*, increased in 1878 to 25,870,000*l.*² The total amount paid for the purchase of shares of the Khedive of Egypt in the Suez Canal and for expenses connected therewith was 4,076,622*l.*

The most important commercial treaty concluded was the Universal Postal Union, fixing a uniform rate of postage for the conveyance of letters throughout the entire extent of the Union, including their delivery at the residence of the addressees in the countries of the Union, of 25 centimes in case of prepayment, and double that amount in the contrary case for each letter and for every weight of 15 grammes or fraction of 15 grammes, and

² To this amount must be added the Terminable Annuities, involving an annual charge of 5,731,231*l.*, or a capital value of 37,664,369*l.*, and also the deficiency in the saving accounts of 4,583,433*l.* On the other hand, 12,460,000*l.* are recoverable loans, and 3,886,300*l.* represent the Suez Canal Shares.

10 centimes for post-cards. Treaties of commerce were concluded with France in 1874 and with Austria in 1877.

The progress of the Textile industries was as follows :—

—	Factories		Spindles		Persons employed	
	1871	1878	1871	1878	1871	1878
Cotton . .	2,665	2,674	37,515,772	39,527,920	479,515	482,903
Woollen . .	1,880	1,732	3,165,569	3,337,607	134,605	134,344
Worsted . .	692	693	2,182,792	2,096,820	142,097	130,925
Flax . .	449	400	1,473,800	1,264,766	128,459	108,806
Silk . .	878	706	1,114,703	842,538	45,559	40,985
	6,564	6,205	45,452,636	47,069,651	930,235	897,963

Modern factories are larger and better than they formerly were. The machinery is more perfect, and human labour is greatly economised. The progress of commerce in eight years, from 1870 to 1878, was as follows :—

PROGRESS OF BRITISH COMMERCE

(,000 omitted)

—	1870	1875	Per Cent in 5 Years		1878	Per Cent in 5 Years		Per Cent in 10 Years	
			Increase	Decrease		Increase	Decrease	Increase	Decrease
Imports of raw materials									
Cotton wool, lbs	1,339,408	1,492,400	11	—	1,340,304	—	10	—	—
Sheep's " "	263,250	365,066	38	—	399,449	9	—	51	—
Flax, cwts	2,430	1,839	—	25	1,612	—	12	—	33
Silk, lbs	6,308	4,488	—	28	4,170	—	7	—	33
Exports of British produce and manufactures									
	£	£			£				
Cotton manufacture	56,745	58,529	3	—	52,918	—	9	—	6
" yarn	14,671	13,173	—	10	13,017	—	1	—	11
Woolen manufacture	21,605	21,659	—	—	16,727	—	22	—	22
" yarn	4,994	5,099	2	—	3,908	—	23	—	21
Silk manufacture	1,450	1,735	19	—	1,923	10	—	32	—
" yarn	1,154	881	—	23	565	—	36	—	51
Linen manufacture	7,248	7,273	—	—	5,535	—	23	—	23
" yarn	2,237	1,856	—	17	1,213	—	35	—	45
Hardware	3,812	4,264	11	—	3,298	—	22	—	13
Machinery	5,293	9,059	71	—	7,498	—	16	41	—
Iron and steel	24,038	25,747	7	—	18,393	—	28	—	23
Coal	11,703	9,658	—	17	7,330	—	24	—	37
Earthenware	1,746	1,752	—	—	1,794	2	—	2	—
Total declared value of exports									
British produce and manufactures	£ 199,587	£ 223,466	11	—	£ 192,849	—	13	—	3
Distribution of exports									
	£	£			£				
Northern Europe ¹	11,021	14,921	35	—	10,884	27	—	1	—
Central " "	36,117	42,189	16	—	34,286	18	—	—	5
Western " "	17,277	22,720	31	—	21,141	—	6	22	—
Southern " "	8,710	9,298	6	—	8,270	—	11	—	5
United States of America ²	24,624	16,834	—	31	14,552	—	13	—	40
British North America ³	6,784	9,037	33	—	6,437	—	28	—	5
British West Indies ⁴	3,456	3,110	—	10	2,760	—	11	—	20
British India ⁵	22,533	27,284	21	—	25,856	—	5	14	—
Australia ⁶	9,899	19,491	96	—	19,573	—	—	97	—
Imports of articles of food and drink									
Grain, cwts	74,104	107,532	45	—	131,232	22	—	63	—
Tea, lbs	141,020	197,505	40	—	204,873	3	—	45	—
Sugar, cwts	12,799	16,265	27	—	14,918	—	8	16	—
Wine, galls	17,775	18,429	3	—	16,463	—	9	—	7
Tonnage of British and Foreign Vessels entered and cleared.									
British, tons	25,072	30,945	23	—	35,291	14	—	40	—
Foreign " "	11,568	15,322	32	—	16,304	6	—	40	—
	36,640	46,277	26	—	51,595	11	—	40	—
Tonnage belonging to the United Kingdom									
Sailing vessels	4,578	4,207	—	9	4,230	—	—	—	7
Steam " "	1,113	1,946	74	—	2,316	19	—	108	—
	5,691	6,153	8	—	6,555	6	—	15	—

¹ Russia, Sweden, Norway, Denmark, Heligoland² Germany, Holland, and Belgium.³ France, Portugal with Azores and Madeira, and Spain with Gibraltar⁴ Italy, Austria, Greece, Ionian Islands, Malta, and Canaries⁵ United States of America⁶ British North America.⁷ British West Indies with British Guiana and Honduras⁸ British India, Ceylon, and Singapore⁹ Australian Colonies and New Zealand.

CHAPTER XVI.

INCREASE OF WEALTH.

Increase of Wealth —Amount Assessed to Income Tax in 1814–15 and 1876–77.

—Increase of Capital in the Savings' Banks.—Progress of Science.—Literature of Commerce.—Use of Wealth in works of Benevolence.—True sources of British Prosperity.—Influence of Commerce on the Peace of the World.

WHATEVER difficulty early writers on Economic Science may have had in arriving at the true source of wealth, and the relative value of Agriculture, Manufactures, and Commerce, here is a history of a nation, eminently commercial, which has become by her commerce and industry exceedingly wealthy. Britain has, indeed, great wealth in her land, in her mines, and in her geographical position; but commerce and navigation gave them a value greater than they would otherwise possess, and by their agency the resources of the nation have been developed to an enormous extent.

The two graphic tables we present of the amount of income from agriculture, professions, and industry, assessed to income tax under Schedule A, B, and D, in 1814–15 and in 1876–77, calculated per head of the population in every county in England, and also in Wales and Scotland, exhibit the result of trade in a remarkable manner.

During the last sixty years the assessable income of England and Wales has increased to the extent of 75 per cent. after taking account of increase of population, whilst the increase in the incomes from professions and trades amounted to 190 per cent. Upon examination of the table in the Appendix, and of the two graphic tables, it will be seen that the income of the manufacturing and industrial counties exhibits a much greater increase than that of the agricultural counties, and that the relative position of some counties, notably of Derby and Lancaster, has greatly changed in the period.

The income of the United Kingdom is still accumulating at a rapid pace. In 1843 the total annual value of property and profits assessed to income tax in Great Britain only was 251,000,000*l.* In 1877 the total value of property and profits assessed in the United Kingdom was 570,000,000*l.* The amount assessed under Schedule D for gains arising from any profession or trade in Great

Britain in 1843 was 71,000,000*l.*, and in 1877, in the United Kingdom, 257,000,000*l.*

Nor is the increase of incomes confined among the higher classes. In 1841 the capital of the Savings' Banks in the United Kingdom amounted to 24,475,000*l.* In 1878, including the Post-office Savings' Banks, the total capital so held amounted to 74,705,000*l.*, besides large amounts invested by the labouring and lower middle classes in building, friendly, and co-operative societies.

And thankful we are that good use is often made of wealth to promote learning and to mitigate the sufferings of mankind. What country in the world possesses so many scientific societies, all free and self-supporting, the spontaneous creation of men of science, as Britain? These scientific societies have a high economic value. The Royal Mathematical Societies are labouring to evolve the principles of those sciences which govern alike the phenomena of the material universe and the practical problem of the law of probabilities. The Statistical Society subjects the real worth of economic doctrines to the close test of numbers, to the great correctives of experience and facts, using the inductive rather than the deductive method for the guidance of the philosopher and statesman. The Astronomical Society is expanding our knowledge of the meteorology and magnetism of the universe, as well as of the laws which govern the motion of the stars, to the immense benefit of navigation. The Chemical Society is ever analysing matter, finding new products, and enriching us with an extended knowledge of their wonderful capabilities. The Geographical is exploring for us unknown regions, and makes us acquainted with the habits and wants of distant races. The Geological maps out for us the very strata of the earth. And the British Association for the Advancement of Science and the National Association for the Promotion of Social Science propagate scientific truths all over the kingdom, and bring to light the latent powers of every corner of the state. The 50,000 men devoted to, or interested in, scientific pursuits in the United Kingdom are not only the ornaments but the very strength of the British empire. The arts also are cultivated and appreciated. The wealth contained in our private and public galleries is enormous, as was shown in the magnificent Exhibition of Art Treasures at Manchester; and the Science and Art Department as well as the Commissioners of the National Gallery are not sparing in their efforts to acquire for the nation any *chef d'œuvre* within their reach.¹

¹ Mr Giffen, in his paper on the 'Recent Accumulations of Capital in the United Kingdom,' read at the Statistical Society, estimated the present capital at a minimum of 8,500 millions sterling. In ten years, from 1865 to 1875, the national estate increased from 6,100 millions to 8,500 millions, or at the rate of 240 millions per annum (See *Journal of the Statistical Society*, vol xli p 1) In 1878 the value of property on which probate and administrations were sworn was 119,859,619*l.*

Many of our merchant princes are conspicuous for their benevolence. And brilliant examples have been given of a cosmopolitan charity, ever ready to answer to the call of humanity from whatever quarter it may come. Witness the effort made in 1847 to mitigate the sufferings and privations caused by the failure of the potato crop in Ireland; the sumptuous contributions given to the sufferers from the inundations in France in 1853; the patriotic fund of 1856; the large sum collected for Indian relief; the munificent sum granted by Mr. William Brown, of Liverpool, for a free library; the sumptuous gift of Mr. Peabody; the princely benefactions of the Baroness Coutts; the rich endowments of Sir David Baxter; the liberal foundation of scholarships of Sir William Whitworth; and the noble efforts now making by the city companies to promote technical education. It is from wealth drawn from commerce that churches, schools, and hospitals are scattered with profusion all over our cities, and most of our noblest institutions for the benefit of the poor and the relief of suffering derive constant sustenance. And it is from the same prolific source that the pioneer of civilisation, and the self-denying missionary—men such as Moffatt and Williams, Duff and Livingstone—are sent forth to the very ends of the earth to break the fallow ground, and to open a highway for the renovating influences of religion and charity.

Into the distant future we cannot penetrate. What revolutions may yet come to pass, what may be the course of trade as new communications open, what new marts of merchandise may yet flourish, whether some new race may yet come to the surface, possessing greater force of character, greater energy and skill than the Anglo-Saxon, we cannot say. Babylon, Thebes, Carthage, Athens, and Rome were probably as great and even as populous as London now is, and yet they are gone. And so it may be of Britain, should she ever be enervated by luxury and degraded in her morals, should virtue hide her face and rectitude depart from her streets. But we trust otherwise. We have faith in the moral influences at work. We have confidence in the strength of will, sober judgment, and untiring energy of the Anglo-Saxon race; and happy will it be if, realising the true source of her strength and success, Britain knows how to use her wealth, power, and influence towards the maintenance and the promotion of ‘the true, the good, and the beautiful.’

Commerce has done much for Britain, and we trust it will do still more for nations—for the world. In the words of John Stuart Mill, ‘commerce first taught nations to see with goodwill the wealth and prosperity of one another. Before, the patriot, unless sufficiently advanced in culture to feel the world his country, wished all countries weak, poor, and ill-governed but his own; he now sees in their wealth and progress a direct source of wealth

and progress to his own country. It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it. And it may be said, without exaggeration, that the great extent and rapid increase of international trade, in being the principal guarantee of the peace of the world, is of the greatest permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race.'

IMPORTS AND EXPORTS.

(,000 omitted.)

Year	Imports Real value	Exports		Total Exports
		British Produce Real value	Foreign and Colonial Real value	
	£	£	£	£
1861	217,485	125,103	34,530	159,632
1862	225,717	123,992	42,176	166,168
1863	248,910	146,602	50,300	196,902
1864	274,952	160,449	52,171	212,620
1865	271,072	165,836	52,996	218,832
1866	295,290	188,917	49,998	238,906
1867	275,183	180,962	44,841	225,803
1868	294,694	179,678	48,101	227,778
1869	295,429	189,954	47,061	237,015
1870	303,257	199,586	44,494	244,081
1871	331,015	223,066	60,509	283,515
1872	354,694	256,257	58,331	314,589
1873	371,287	255,165	55,840	311,605
1874	370,083	239,558	58,092	297,650
1875	373,940	223,466	58,146	281,612
1876	375,155	200,639	56,137	256,777
1877	394,420	198,893	53,453	252,346
1878	368,771	192,849	52,635	245,484
1879	394,224	198,893	—	—

GROSS AMOUNT OF REVENUE AND EXPENDITURE.

(,000 omitted.)

Year ending	Revenue	Expenditure	Year ending	Revenue	Expenditure
	£	£		£	£
March 5, 1861	70,284	72,792	March 5, 1871	69,945	69,549
1862	69,674	71,116	1872	74,708	71,490
1863	70,604	69,302	1873	76,609	70,714
1864	70,209	67,056	1874	77,335	76,466
1865	70,313	66,462	1875	74,922	74,328
1866	67,812	65,914	1876	77,132	76,622
1867	69,435	66,780	1877	78,565	78,125
1868	69,600	71,236	1878	79,763	82,403
1869	72,592	74,972	1879	83,116	85,408
1870	75,434	68,865			

AVERAGE PRICE OF WHEAT.

Year		s	d.	Year		s	d.
1861	. .	55	4	1870	. .	46	10
1862	. .	55	5	1871	. .	56	8
1863	. .	44	9	1872	. .	57	0
1864	. .	40	2	1873	. .	58	8
1865	. .	41	10	1874	. .	55	8
1866	. .	49	11	1875	. .	45	2
1867	. .	64	5	1876	. .	46	2
1868	. .	63	9	1877	. .	56	9
1869	. .	48	2	1878	. .	46	5

. TONNAGE OF SHIPPING BELONGING TO THE UNITED KINGDOM.

Year		Tons	Year		Tons
1861	. .	4,807	1870	. .	5,691
1862	. .	4,934	1871	. .	5,694
1863	. .	5,328	1872	. .	5,751
1864	. .	5,628	1873	. .	5,805
1865	. .	5,760	1874	. .	5,979
1866	. .	5,779	1875	. .	6,152
1867	. .	5,754	1876	. .	6,263
1868	. .	5,781	1877	. .	6,400
1869	. .	5,714	1878	. .	6,555

APPENDIX.

APPENDIX A.
PROGRESS OF POPULATION AND WEALTH.
 (£,000 omitted.)

	Population.			Assessed Income to Income and Property Tax under Schedules A, B, and D				Assessed Income to Income and Property Tax under Schedule D only				
	1811	1871	Increase per cent	1814-15	1876-7	Proportion per head		1814-5	1876-7	Proportion per head		
						1814-5	1876-7			1814-5	1876-7	Increase per cent.
AGRICULTURAL COUNTIES												
Bedford	70	146	108	797	1,751	11.7	11.10	£ 98	£ 400	£ 17	£ 215	66
Berkshire	119	196	64	1,552	3,075	13.0	15.13	300	987	210	510	120
Buckingham	118	176	49	1,468	2,593	12.8	14.10	223	527	118	300	57
Cambridge	101	186	84	1,509	3,314	14.18	17.14	234	740	266	319	71
Cumberland	134	220	64	1,509	4,000	11.5	18.4	180	1,858	177	89	525
Devon	383	601	57	4,060	7,543	10.12	12.11	697	2,125	116	311	97
Dorset	125	196	56	1,563	2,593	12.10	13.4	242	505	118	212	36
Essex	252	466	85	3,354	6,572	13.5	14.2	601	1,660	277	311	51
Hereford	94	125	32	1,246	2,196	13.6	17.11	62	275	13	24	238
Hertford	111	192	73	1,266	2,606	11.7	13.11	262	692	267	312	53
Huntingdon	42	64	52	727	1,104	17.4	17.5	108	202	211	33	29
Lincoln	238	437	41	4,436	8,864	18.12	15.12	374	1,646	115	315	141
Norfolk	292	439	50	3,199	6,530	10.19	14.17	523	1,393	115	33	80
Northampton	141	244	73	2,027	3,766	14.7	15.7	185	847	166	39	162
Oxford	120	178	48	1,724	2,786	14.6	15.13	309	683	211	37	51
Rutland	16	22	37	299	433	15.5	19.14	31	59	117	214	46
Salop	185	248	34	2,234	4,024	12.1	16.4	279	1,047	110	44	180
Somerset	303	463	52	5,105	9,085	16.17	19.12	1,233	3,421	41	77	81
Southampton	247	544	120	2,902	6,324	11.5	11.12	919	2,243	314	91	144
Suffolk	234	348	48	2,465	4,904	10.11	14.1	444	1,135	117	73	144
Sussex	190	417	110	1,965	6,302	10.6	15.3	366	2,019	118	417	155
Westmoreland	46	65	41	626	1,145	13.13	17.1	52	302	12	413	322
Wilts	192	257	33	2,606	3,912	13.12	18.11	380	828	119	34	64
	3,753	6,230	66	48,639	95,412	12.19	15.3	8,102	28,594	23	45	97

INDUSTRIAL AND MINING COUNTIES

Cornwall	221	362	63	£	1,823	3,185	85	86	6	£	234	831	11	26	119
Derby	185	379	106		1,840	8,202	918	2114	119		210	5,231	12	13-16	1,154
Durham	165	685	315		1,629	9,765	917	145	44		249	6,271	110	93	510
Gloucester	286	534	90		2,702	6,387	94	1119	29		357	2,099	14	3-18	225
Monmouth	62	195	214		669	2,061	1012	10-11	—		111	893	1-15	4-12	162
Northumberland	183	387	106		2,866	7,351	1513	190	21		442	3,834	28	913	302
Stafford	295	858	190		2,628	10,710	84	129	51		517	5,747	1-14	614	294
Warwick	229	634	172		2,822	10,578	126	1614	39		666	5,758	2-18	135	356
Worcester	169	539	100		1,739	4,764	106	171	65		274	1,882	112	511	246
	1,795	4,373	143		18,708	63,003	108	14-8	38		3,060	32,546	1-14	7-8	335

TEXTILE COUNTIES

Cheshire	227	561	147		2,253	7,075	918	1212	27		287	2,764	15	418	292
Lancaster	828	2,819	240		6,969	54,884	88	19-9	131		2,284	37,924	215	133	378
Leicester	150	269	79		2,125	4,174	142	20-6	43		320	1,292	22	415	126
Nottingham	163	320	96		1,700	4,929	109	158	47		314	2,109	118	612	221
Yorkshire	985	2,455	145		10,242	41,587	108	171	63		1,717	22,542	1-14	96	447
	2,353	6,040	172		111,649	23,289	917	1711	78		4,922	66,621	21	10-8	407

METROPOLITAN COUNTIES

Kent	372	848	127 ^a		4,327	12,355	1112	13-8	15		1,622	3,759	4-7	4-8	1
Middlesex	953	2,559	166		20,894	100,469	2118	39-11	80		14,687	77,470	15-7	3010	98
Surrey	324	1,092	286		3,621	27,996	11-4	169	46		1,583	10,003	417	93	88
	1,649	4,479	171		28,842	129,820	179	290	66		17,892	91,232	10-16	207	89
England	9,550	21,486	125		119,478	400,884	12-10	18-13	49		33,976	216,993	3-11	10-2	184
Wales	611	1,202	125		4,564	14,689	78	12-4	42		308	5,945	10	12-4	2,118
Scotland	1,806	3,360	86		13,781	52,102	7-12	1510	104		2,771	26,187	110	715	416
Great Britain	12,417	26,048	119		137,823	527,675	118	20-5	75		37,055	249,125	2-19	9-11	190

APPENDIX B.

BRITISH EXPORTS.—DECLARED REAL VALUE OF BRITISH AND IRISH PRODUCE EXPORTED FROM THE UNITED KINGDOM TO VARIOUS FOREIGN COUNTRIES AND BRITISH POSSESSIONS

(,000 omitted.)

Places	1840	1850	1860	1870	1878
EUROPE					
<i>Foreign Countries.</i>	£	£	£	£	£
Russia	1,603	1,455	3,268	6,993	6,559
Sweden and Norway	197	363	1,045	2,015	2,799
Denmark and Iceland	201	454	731	2,024	1,526
Prussia	219	424	1,884	2,939	
Hanover	74	232	1,107	405	19,457
Hanse Towns	5,286	6,755	10,364	16,899	
Holland	3,416	3,542	6,115	11,222	9,303
Belgium	880	1,136	1,610	4,476	5,526
France	2,378	2,401	5,250	11,645	14,825
Portugal and Azores	1,188	1,118	1,847	2,101	2,226
Spain	404	865	2,471	2,514	3,211
Italy	2,162	2,791	4,513	5,267	5,364
Austrian Territories					
Illyria, Croatia, Dalmatia, and Venetia till 1861	497	607	993	1,714	763
Greece	—	202	343	943	982
Turkey, Wallachia, Moldavia .	1,164	2,811	4,582	6,460	8,635
<i>British Possessions.</i>					
Channel Islands	259	506	656	759	536
Gibraltar	1,111	388	1,159	770	710
Malta	166	314	704	1,004	1,161
Ionian Islands	89	136	345	ceded to Greece	
	21,294	26,500	48,987	80,150	83,583
ASIA					
<i>Foreign Countries</i>					
China	524	976	2,872	6,138	3,738
Java and Sumatra	349	507	1,414	897	1,663
Japan	—	—	—	1,615	2,616
Syria and Palestine	223	303	655	1,188	
Philippine Islands	325	193	674	773	835
French Possessions in India .	—	—	—	—	26
<i>British Possessions.</i>					
Hong Kong	—	598	2,446	3,407	2,871
British India	5,213	7,242	16,965	19,309	23,277
Singapore and Straits Settle- ments	687	562	1,671	2,332	1,776
Ceylon	123	218	671	907	803
	7,444	10,599	27,368	36,566	37,605

BRITISH EXPORTS—*continued*.

(,000 omitted)

Places	1840	1850	1860	1870	1878
AFRICA.					
<i>Foreign Countries</i>	£	£	£	£	£
Egypt	79	649	2,481	8,752	2,194
Morocco	14	32	171	229	191
French Possessions	52	19	45	127	198
Spanish „	46	65	151	254	175
Western Coast, Africa	260	434	951	904	1,140
Other Countries	—	—	—	—	979
<i>British Possessions</i>					
Mauritius	326	369	538	483	409
Capé of Good Hope and Natal	417	797	2,065	1,867	4,913
Possessions on River Gambia	93	44	28	40	—
Sierra Leone	—	70	215	217	361
Possessions on Gold Coast	137	88	97	401	512
Other Possessions	10	45	109	127	139
	1,434	2,612	6,851	13,401	11,211
AMERICA.					
<i>Foreign Countries</i>					
United States and California	5,283	14,892	21,667	28,335	14,552
Mexico	465	452	463	911	773
Central America	2	251	182	360	732
Haiti and San Domingo	252	275	413	395	334
New Granada	—	331	811	2,135	1,032
Venezuela	360	301	324	144	473
Ecuador	—	33	74	57	200
Brazil	2,626	2,545	4,447	5,353	5,578
Uruguay (Monte Video), Argentine Confederation	614	909	2,705	3,163	3,315
Chili	1,335	1,156	1,703	2,686	1,191
Peru	800	816	1,381	1,766	1,370
Danish West Indies	324	592	658	761	238
Spanish „	536	895	1,530	1,089	1,890
<i>British Possessions</i>					
North American Colonies:					
Hudson's Bay Settlement	77	102	80	45	—
Newfoundland	281	343	466	524	—
Canada	1,563	1,993	2,138	4,376	6,437
New Brunswick	502	411	403	529	—
Prince Edward Island }	424	57	74	125	—
Nova Scotia }		328	529	1,127	—
W. Indian Is and Guiana	3,177	2,030	2,417	3,362	2,648
British Honduras	398	183	142	160	113
British Columbia	—	—	37	73	—
	19,019	28,925	42,644	57,476	40,876
AUSTRALIA	2,044	2,590	9,707	9,825	19,573
OTHER COUNTRIES	72	130	334	707	—
Total to Foreign Countries and British Possessions	51,308	71,367	135,891	199,640	192,848

RELATIVE POSITION OF THE DIFFERENT PARTS IN THE EXPORT TRADE
OF THE KINGDOM

—	1840	1850	1860	1870	1878
Europe	41	37	36	40	43
Asia	13	15	19	18	19
Africa	5	5	7	8	6
America	37	40	30	29	22
Australia	4	3	8	5	10
	100	100	100	100	100

APPENDIX C

COURSE OF EXCHANGE.—LONDON ON PARIS

(At Three Months' date.)

—	First Weeks in January	First Week in July	—	First Weeks in January	First Week in July
1825	25 45	25 45	1852	25 40	25 45
1826	25 65	25 95	1853	25 22 $\frac{1}{3}$	25 20
1827	25 85	25 80	1854	25 27 $\frac{1}{3}$	25 25
1828	25 60	25 40	1855	25 25	25 32 $\frac{1}{2}$
1829	25 60	25 90	1856	25 65	25 65
1830	26 5	25 90	1857	25 60	25 65
1831	25 60	25 65	1858	25 65	25 25
1832	25 75	26 15	1859	25 37 $\frac{1}{2}$	25 37 $\frac{1}{2}$
1833	26 15	26 5	1860	25 35	25 40
1834	25 75	25 80	1861	25 57 $\frac{1}{2}$	25 75
1835	25 80	25 95	1862	25 52	25 52 $\frac{1}{2}$
1836	26 5	25 90	1863	25 45	25 52
1837	25 95	26 5	1864	25 72 $\frac{1}{2}$	25 65
1838	26	25 85	1865	25 52 $\frac{1}{2}$	25 42
1839	25 65	25 65	1866	25 60	25 45
1840	25 75	25 70	1867	25 42 $\frac{1}{2}$	25 12 $\frac{1}{2}$
1841	25 65	25 80	1868	25 35	25 37 $\frac{1}{2}$
1842	25 85	25 85	1869	25 40	25 40
1843	26 5	26	1870	25 40	25 45
1844	25 95	25 80	1871	25 70	25 80
1845	25 95	26 10	1872	26 20	25 77
1846	26	26 5	1873	25 90	25 92 $\frac{1}{2}$
1847	25 85	25 95	1874	25 27 $\frac{1}{2}$	25 45
1848	25 85	26	1875	25 52 $\frac{1}{2}$	25 62 $\frac{1}{2}$
1849	25 35	25 95	1876	25 47 $\frac{1}{2}$	25 50
1850	25 75	25 67 $\frac{1}{2}$	1877	25 37 $\frac{1}{2}$	25 35
1851	25 22 $\frac{1}{2}$	25 17 $\frac{1}{2}$	1878	25 37 $\frac{1}{2}$	25 32 $\frac{1}{2}$

APPENDIX D.

TREATIES OF COMMERCE AND NAVIGATION BETWEEN GREAT BRITAIN AND
FOREIGN POWERS IN FORCE ON JULY 31, 1879,

Stating the date of each, and the period when terminable; whether or not they provide 'most favoured nation' treatment, and the terms by which such treatment is stipulated for, and how far they apply to British Colonies.

* Most favoured nation treatment.

† Applicable to British Colonies.

Country	Date	Subject	When Terminable
*Argentine Confederation	Feb. 2, 1825	Commerce and navigation	No time fixed
† „ „ .	July 10, 1853	Free navigation of rivers Parana and Uruguay	No time fixed
*†Austria .	April 30, 1868	Navigation .	Dec. 31, 1877, and further on twelve months' notice
*† „ .	Dec 5, 1876	Commerce .	Indefinitely, subject to denunciation a year before
*Belgium .	July 23, 1862	Commerce and navigation	Ten years from date of ratification, Aug. 30, 1862
† „ .	Nov 30, 1862	„ „	Subject to twelve months' notice. No limit
*†Bolivia .	Sept. 29, 1840	„ „	No time fixed
*†Borneo .	May 27, 1847	„ „	No time fixed
*†Chili .	Oct 4, 1854	„ „	Ten years and further on twelve months' notice
*China .	June 26, 1858	„ „	Ten years, and if no notice given six months before their expiration, for ten years longer, and so on for further periods
*†Columbia .	Feb. 16, 1866	„ „	Ten years from date of ratification, Oct. 17, 1866, and for ten years and further on twelve months' notice
*†Costa Rica .	Nov. 27, 1849	„ „	Seven years from the date of the ratification, Feb. 20, 1850, and further on twelve months' notice
*†Denmark .	Feb. 13, 1660	„ „	No time fixed
*†Dominica .	Mar. 6, 1850	„ „	Ten years from Sept. 10, 1850, subject to notice
*†Equador .	May 3, 1851	„ „	Seven years from Jan. 29, 1853, subject to notice
*†France .	Jan. 26, 1826	„ „	Ten years from April 5, and further on twelve months' notice

TREATIES OF COMMERCE AND NAVIGATION, &c —*continued*.

Country	Date	Subject	When Terminable
*France	Jan. 23, 1860	Commerce and navigation	Ten years and further, subject to twelve months' notice
* „	July 23, 1873	Commerce	Till June 30, 1877, and for one year more in case of no notice
* „	Jan 24, 1874	„	Same
*†Germany, Zollverein	May 30, 1865	„	Till June 30, 1877, subject to twelve months' notice
*†Greece	Oct 4, 1837	Commerce and navigation	Ten years from Jan 15, 1838, and further on twelve months' notice
*†Italy	Aug 6, 1863	„ „	Ten years from Oct. 29, 1863, and further on twelve months' notice
*Japan	Oct 14, 1854	„ „	No time fixed
„	Aug 26, 1858	„ „	Twelve months' notice after July 1, 1872
*†Liberia	Nov. 21, 1848	„ „	No time fixed
*†Madagascar	June 27, 1865	„ „	No time fixed
*†Morocco	Dec 9, 1856	General treaty	
„	Dec 9, 1856	Commerce and navigation	Subject to revision within fixed time from April 8, 1857
*†Muscat	May 31, 1839	„ „	No time fixed
*Netherlands	May 17, 1824	Commerce—in- tercourse with Colonies	No time fixed
* „	Oct 27, 1837	Commerce and navigation	Ten years and further on twelve months' notice
„	Mar 27, 1851	„ „	Six weeks' notice
„	Mar 6, 1856	„ „	Five years from April 29, 1856, and afterwards from year to year
*†Nicaragua	Feb 11, 1860	„ „	Twenty years from Aug 2, 1860, and further till twelve months' notice
*†Persia	Oct 28, 1841	„ „	No time fixed
„	Mar 4, 1857	„ „	No time fixed
*†Peru	April 10, 1850	„ „	Seven years and further on twelve months' notice
*†Portugal	July 3, 1842	„ „	Ten years and further on twelve months' notice
*†Prussia	Aug 16, 1865	„ „	
*Roumania	Nov 30, 1876	Commerce	Expired
„	May 12, 1877	„	
*†Russia	Jan 12, 1859	Commerce and navigation	Ten years from Feb 1, 1859, and further on twelve months' notice
*†Salvador	Oct 24, 1862	„ „	Twenty years and further on twelve months' notice
*Sandwich Islands	July 10, 1851	„ „	Seven years and afterwards, on twelve months' notice
Servia	Mar 17, 1879	Commerce	May 1 st , 1880
*Siam	April 18, 1859	Commerce and navigation	Ten years and after on twelve months' notice

TREATIES OF COMMERCE AND NAVIGATION, &c—*continued*.

Country	Date	Subject	When Terminable
*Spain . .	May 23, 1662	Commerce and navigation	Continued in force pending negotiations
" . .	July 13, 1713	" "	" " "
" . .	Dec. 9, 1713	" "	" " "
" . .	Dec. 14, 1715	" "	" " "
" . .	Oct. 5, 1750	" "	" " "
" . .	July 5, 1814	" "	No time fixed
" . .	Aug. 28, 1814	" "	No time fixed
*†Sweden and Norway	Mar. 18, 1826	" "	Ten years and further on twelve months' notice
*†Swiss Confederation.	Sep 6, 1855	Commerce .	Ten years from March 6, 1856, or further on twelve months' notice
*†Tunis . .	Oct. 10, 1863	" "	No time fixed
" . .	July 19, 1875	Commerce and navigation	Seven years, and further till revision
*†Turkey . .	April 29, 1861	" "	For twenty-eight years, from July 9, 1861, subject to revision at the end of fourteen years
*United States	July 3, 1815	" "	For four years Continued in force by treaties of Oct 20, 1818, and Aug. 6, 1827
" "	Oct. 20, 1818		For ten years
" "	Aug. 6, 1827		Indefinitely, on twelve months' notice
*†Venezuela .	April 18, 1825	" "	No time fixed
" "	Oct. 29, 1834	" "	
Zanzibar .	See Muscat.		
Zollverein .	See Prussia.		

INDEX.

AFR

AFRICA, exports to, 1840-1878, 563
 Agricultural labourers, wages of, 505
 Alabama Dispute, origin of, 447
 Aliens, law of, 355
 — Magna Charta on, 355
 America, exports to, 1840-1878, 563
 American Colonies, complaints of, 38
 — — restrictions in, 38
 — — taxes imposed on, 39
 — — meeting of first Congress in the, 39
 — — rebellion in, 42
 — — declaration of independence of, 43
 — War, cost of, 47
 Anti-Corn Law League, origin of, 216
 — Mr. Cobden on, 216
 — progress of, 292
 Apparel, exports of, 1828 and 1878, 539
 Arbitration, decision of the tribunal of, on the 'Alabama' dispute, 455
 Argentine Confederation, exports to, 1840-1878, 563
 — — treaty in force with, 565
 Arkwright's patent, date of, 6
 Arms and ammunition, exports of, 1828 and 1878, 539
 Armed-neutrality declaration, 47
 Arts, foundation of the Society of, 13
 Asia, exports to, 1840-1878, 562
 Assignats, creation of, 94
 — depreciation of, 95
 Associated Chambers of Commerce, proceedings of, 434
 Australia, discovery of, 33
 — discovery of gold in, 329
 — exports of gold from, 332
 — exports to, 1840-1878, 563
 Austria, treaty of Commerce with, 423
 — progress of commerce of, 514
 — exports to, 1840-1878, 562
 — treaties in force with, 565

BAN

BALANCE of trade, causes of excessive, 501
 Bank Charter Act, Sir Robert Peel on, 272
 — — — passing of, 280
 — — — for Scotland and Ireland, 280
 — — — operation of, 309
 — — — suspension of, 311, 403, 468
 — — — committee on, 312, 405
 — — — report upon, 313
 Bank of England, foundation of, 19
 — — capital of, 19
 — — restriction of accommodation by, 72
 — — suspension of cash payments by, 73
 — — Order in Council authorising do., 74
 — — Committee of both Houses on the state of, 75
 — — position of in 1825, 187
 — — power to establish branches, 189
 — — charter, renewal of, 206
 — — Committee on, 207
 — — condition of in 1834, 221
 — — rule for its issues, 275
 — — supposed influence of, 308
 — — state of in 1847, 311
 — — state of, 402
 — — reserve, 467
 Bank of England notes, issue of, 19
 — — of 5*l*, introduction of, 76
 — — constituted legal tender, 208
 — — circulation of, 544
 Bank notes, amount of country, 1820-1825, 188
 — of France and Departmental Banks, 317
 — — foundation of, 97
 — — capital of, 97
 — — privileges of, 98
 — of Ireland, constitution of, 124
 — — foundation of, 19
 — of Scotland, date of foundation of, 19

BAN

- Bank of the United States, 37, 228
- shares, prices of, 470
- Banks of issue, Committee on, 274
- Banking, early history of, 19
- Scotch and Irish, 282
- the Associated Chambers of Commerce on, 437
- increase of, 544
- laws in England, Scotland and Ireland, 291
- Bankruptcies of Banks, 73
- Bankruptcy laws, 357
- — Associated Chambers of Commerce on, 439
- Belfast population of, 1851 and 1861, 408
- — 1871, 488
- Belgium, Treaty of Commerce with, 422
- progress of commerce of, 510
- sugar duties in, 526
- exports to, 1840-1878, 562
- treaties in force with, 565
- Belligerent rights, concession of, to the Confederate States, 447
- Berlin Decree, 106
- text of, 113
- Birmingham, cotton spinning in, 7
- population of, in 1801 and 1821, 141
- — 1831, 199
- — 1841, 253
- — 1851, 317
- — 1861, 408
- — 1871, 488
- Blockade, difficulties with the United States concerning the, 450
- Board of Trade, establishment of, 33
- Bolivia, treaty in force with, 565
- Borneo, treaty in force with, 565
- Bradford, population of, 1801 and 1821, 141
- — 1831, 199
- — 1841, 253
- — 1851, 317
- — 1861, 408
- — 1871, 488
- Brazil, progress of commerce of, 519
- exports to, 1840-1878, 563
- Bricklayers, wages of, 507
- Edgewater canal, construction of, 16
- Bristol, trade of, 20, 141, 253
- population of, 1801 and 1821, 141
- — 1831, 199
- — 1841, 283
- — 1851, 317
- — 1861, 408
- — 1871, 488
- Bullion Committee, appointment of, 127
- report of, 129
- resolutions on, 129
- — and Sir Robert Peel, 259

COA

- CALIFORNIA, discovery of gold in, 329
- Canada, exports to, 1840-1878, 563
- Canals, construction of, 16
- Cape of Good Hope, exports to, 1840-1878, 563
- Carpenters, wages of, 507
- — in 1800, 1810, and 1820, 149
- Carriage, cost of, by land and by canal, 16
- Cash credit system in Scotland, 287
- payment, restriction on, 74
- — resumption of, 132
- — the Act of 1819 on the, 137
- — reports on the resumption of, 273
- Central America, exports to, 1840-1878, 563
- Ceylon, trade of, 547
- exports to, 1840-1878, 562
- Channel Islands, exports to, 1840-1878, 562
- Chemical discoveries, history of, 12
- Chemicals, products of, 535
- exports of, 1828 and 1878, 539
- Chili, exports to, 1840-1878, 563
- treaty in force with, 565
- China, relations with, 232
- opening of trade with, 241
- prohibition of opium in, 243
- trade with, 378
- entry in Canton, 379
- dispute concerning the 'Arrow,' 379
- war with, 380
- treaty with, 319
- treaty of peace with, 381
- trade of, 382
- text of Treaty of Nanking, 385
- text of Treaty of Peking, 386
- War, cost of, 411
- progress of commerce of, 518
- exports to, 1840-1878, 562
- treaty in force with, 565
- Circulation, amount of, in 1823 and 1826, 188
- Committee on the state of the, 273
- estimated country issue, 188
- laws of the, 275
- opposing principles regarding, 276
- meaning of the, 276
- Clearing-house, amount of transactions in 1839 and 1840, 318
- — 1869-70 and 1870-79, 549
- Coal industry in Great Britain, 533
- products, 533
- production of, in 1770, 8
- exports of, 320
- — 1828 and 1878, 539
- supplies, 495
- Royal Commission on, 495
- Coasting trade, opening of, 301

COI

- Coinage, Acts on, 133
- decimalisation of, 474
- free, introduction of, 491
- laws in France, 99
- principles of international, 476
- Act, 1870, 491
- Colbert, tariff of, 152
- Colonial policy of England, 37
- trade, condition of, 244
- Colonies, trade of British, 547
- Columbia, treaty in force with, 565
- Combination, laws against, 21
- Laws, Mr. Joseph Hume on the, 175
- — abolition of, 177
- Commerce, Tables of progress of, 1820 to 1830, 202
- — in 1830, 1835 and 1840, 255
- — 1840, 1845, 1850, 320
- — 1850, 1855, 1860, 413
- — 1860, 1865, 1870, 493
- — 1870, 1875, 1878, 552
- increase of, 540
- of imports, 541
- of exports, 541
- excitement of, 497
- periods of depression in, 491
- relative amount of, 508
- Commercial and economic progress, 1830-1840, 252
- — — 1840-1850, 316
- — — 1850-1860, 407
- — — 1860-1870, 488
- — — 1870-1878, 548
- Credit, Committee on, 127
- crises of 1825-26, 184
- — 1836 and 1839, 219
- — 1847, 308
- — 1857, 400
- — 1866, 461
- — losses caused by, 404
- depression in 1793, 70
- accommodation to traders in 1793, 71
- laws, conference on, 335
- policy, Sir Robert Peel on, 260
- Companies formed in 1825-26, 184
- financial, 462
- See Joint Stock Companies
- Consols, prices of, in 1793, 69
- Contraband of war, what is, 375
- Copyright, law of, 351
- Corn, exportation of, prohibited, 20
- taxes on importation of, 20
- institution of returns of average prices of, 22
- high prices of, 20, 72
- — in 1801, 212
- imports of, in 1825, 1826, 1847, 310
- Laws, Committee on, 212
- — impolicy of, 213

DRO

- Corn Laws, Mr. Whitmore on, 214
 - — Lord Lauderdale on, 214
 - — Mr. Villiers' motion on, 215, 217
 - — Sir Robert Peel on the, 260, 293
 - — partial repeal of, 293
 - — Mr. Cobden on, 294
 - Law, the last, 262
 - Cotton, history of, 5
 - machinery, history of, 6
 - factories and spindles, 1850 and 1861, 410
 - factories in 1870, 430
 - consumption per head in 1801 and 1821, 142
 - rise in prices of, 446
 - effects of Civil War in America on, 446
 - industry, progress of, 536
 - speculation in, 309
 - imports of, 202, 255, 320 413, 493, 552
 - manufacture, estimated value of, in 1780, 61
 - exports of, 1828 and 1878, 539
 - — duties on foreign, in 1787, 1819, 1825, 168
 - exports of, 1820-30, 202
 - — 1830-40, 255
 - — 1840-50, 320
 - — 1850-60, 413
 - — 1860-70, 493
 - — 1870-78, 552
 - Council for Trade, appointment of, 34
 - Course of Exchange, London on Paris, 1825-1878, 562
 - Credit Mobilier, formation of, 461
 - Currency, depreciation of, 181
 - Customs Tariff, number of articles in the, 417
 - reforms, 491
 - duties, consolidation of, 2
 - — introduction of, 33
- D**EBTORS and Creditors, law of, 357
- Decimal coinage, 474
 - Declaration of maritime law, 375
 - Denmark, progress of commerce of, 513
 - exports to, 1840-1878, 562
 - treaty in force with, 565
 - Discount, rise in the rate of, 401
 - rates of, 465
 - relation of reserve to the, 467
 - Dominica, treaty in force with, 565
 - Double Standards, conference on, 479
 - Drawbacks on sugar, 524
 - Droit d'Aubaine, nature of, 27

EAR

- EARTHENWARE** manufacture, progress of, 10
 — wages in the, 506
 — exports of, 1828 and 1878, 539
 — — in 1820, 202
 — — in 1830, 255
 — — in 1840, 255
 — — in 1850, 320
 — — in 1860, 413
 — — in 1870, 493
 — — in 1878, 552
 — foreign duties on, in 1787, 1819, and 1825, 168
East India Company, incorporation of, 30, 233
 — — Board of Control on, 31
 — — reforms in the, 60
 — — first voyages, an account of, 233
 — — charters of, 235
 — — *See* India
Ecuador, exports to, 1840-1878, 563
 — treaty in force with, 565
Egypt, exports to, 1840-1878, 563
Electric telegraph, introduction of, 196
Emigration from Ireland, increase, of 298
 — increase of, 299
 — distribution of, 299
England and Wales, population of, 4
 — — in 1801, 141
 — — in 1821, 141
 — — in 1831, 199
 — — in 1841, 253
 — — in 1851, 317
 — — in 1861, 408
 — — in 1871, 489
 — — population and wealth of, 559
Engrossing and regrating, laws on, 20
Europe, exports to, 1840-1878, 562
Exchanges between England and Ireland, 122
 — on Hamburg, Lisbon and Paris, 128
 — state of the, in 1825, 187
 — cases of an unfavourable, 273
Expenditure and revenue, amount of, in 1764-1775, 35
 — — in 1776-1783, 49
 — — in 1784-1792, 63
 — — in 1793-1820, 145
 — — in 1821-1840, 256
 — — in 1841-1860, 411
 — — in 1860-1878, 557
Exports, amount of, in 1763-1775, 36
 — — in 1776-1782, 49
 — — in 1783-1792, 64
 — — in 1793-1820, 145
 — — in 1821-1840, 256
 — — in 1841-1860, 411
 — — in 1861-1878, 557

FRA

- Exports of British produce**, value of, in 1820, 202
 — — — in 1825, 202
 — — — in 1830, 202
 — — — in 1840, 255
 — — — in 1850, 320
 — — — in 1860, 413
 — — — in 1870, 493
 — — — in 1878, 552
 — — increase of, 318
 — — difference between quantities of, 500
 — — directions of, 542
FACTORIES, number of, 410, 490, 551
Factory labour, Committee on, 178
 — — evils of, 179
 — — Earl of Shaftesbury on the, 180
 — laws, Associated Chambers of Commerce on, 439
Finance, state of, at the commencement of the French war, 82
 — — in 1852, 185, 409
 — — *See* Income and Expenditure and National Debt
Flax factories, number of, in 1850 and 1861, 410
 — — in 1870, 490
 — — in 1871, 551
 'Florida,' the dispute concerning the, 449
Fontainebleau, decree of, 108
 — text of, 120
Foreign Enlistment Act, 451
 — exchanges, meaning of, 121
 — loans in 1822-1829, 186, 221, 496
 — trade, Committee on, 156
France, commerce with, 29
 — relations with, 53
 — treaty of Versailles with, 54
 — — commerce with, 55
 — declaration of war by, 68
 — embargo on French ships, 69
 — hostile measures by, 78
 — currency and banking in, 94
 — creation of assignats in, 95
 — bankers in, 97
 — national debt of, 96
 — monetary standards in, 96
 — foundation of the Bank of, 97
 — law on the coinage of, 99
 — tariff of, 152
 — imports and exports of, in 1815, 152
 — — in 1847 and 1818, 316
 — commercial forces of, 198
 — — relations with, 417
 — effects of revolution of 1848 in, 316
 — — the treaty of Versailles with, 418

FRA

- France, announcement of commercial policy in, 418
- negotiations for a treaty of commerce with, 419
- report of the Council of State, on the treaty of commerce, 420
- conclusion of treaty of commerce with, 420
- new treaty of commerce with, 521
- progress of commerce in, 509
- productive resources of, 510
- sugar duties, 526
- exports to, 1840-1878, 562
- treaties in force with, 565
- Free ships, *see* *commerce* 375
- Free-trade, *see* *commerce* 268
- petition of the merchants for, 153
- the Edinburgh Chamber of Commerce and, 153
- Mr. Poulett Thomson on, 171
- French Revolution, causes of, 67

GERMANY, treaty of commerce with, 422

- coinage of, 478
- progress of commerce in, 513
- exports to, 1878, 562
- treaties in force with, 565
- Gibraltar, exports to, 1840-1878, 566
- Gladstone, Mr., financial administration of, 364
- Glasgow, population of, in 1801 and 1821, 141
- — in 1841, 253
- — in 1851, 317
- — in 1861, 408
- — in 1871, 488
- Gold standard, 133
- coinage adoption of, 134
- Sir William Petty on, 134
- Mr. Locke on, 134
- the Earl of Liverpool on, 134
- Mr. Cayley's motion on, 135
- grains of, in the pound sterling, 136
- Sir Robert Peel on the, 137
- causes of the high price of, 273
- discoveries, 326
- history of, 326
- discovery in Potosi, 327
- stock of, 328
- discovery in California, 329
- — in Australia, 329
- value of, in relation to silver, 336
- diminution of the stock of, 400
- Great Britain, commercial forces of, 198
- — population and wealth of, 559
- Greece, progress of commerce of, 517
- exports to, 1840-1878, 562

INT

- Greece, treaty in force with, 566
- Gresham College, foundation of, 14
- Guineas, coining of, 76

HABERDASHERY, exports of, 1828 and 1878, 539

- Hanse Towns, trade of, 27
- — exports to, 1840-1878, 562
- Hardwares, exports of, 1828 and 1878, 539
- *See* Tables of Exports
- Hats, exports of, 1828 and 1878, 539
- Hill, Sir Rowland, on Postal administration; introduction of penny postage, 249
- Holland, relations with, 46
- trade with, 80
- progress of commerce in, 511
- exports to, 1840-1878, 562
- treaty in force with, 566
- Home trade, amount of, 545
- Hong Kong, exports to, 1850-1878, 562
- Huskisson, Mr., on the Navigation Law, 163
- reform of the silk manufacture, 167
- reforms of the tariff, 168
- death of, 193

IMPORTS in 1763-1775, 86

- in 1776-1782, 49
- in 1783-1792, 64
- in 1793-1820, 145
- in 1821-1840, 256
- in 1841-1860, 411
- in 1861-1878, 556
- excess of, 500
- Income and property tax, imposition of, 91
- — — reimposition of, 264
- Income, assessed to income-tax, in 1843-1850, 318
- Mr. Gladstone on the, 367
- amount assessed to, 1850-1860, 409
- — — 1860 and 1870, 490
- — — 1870 and 1878, 550
- tax, Associated Chambers of Commerce on, 440
- India, early communications with, 232
- progress of trade in, 237
- trade of, 1850-1877, 547
- exports to, 1840-1878, 562
- Interest, rate of, elements comprising, 465
- International exhibitions, 321
- — meeting in the Guildhall for, 321
- — H.R.H. the Prince Consort on, 322
- — Sir Robert Peel on, 322
- — first attempts of, 323
- — number of exhibitors, 325

INT

- International exhibitions, number of visitors, 325
 — Maritime Law, 376
 — weights, measures, and coins, 473
 Ireland, state of, 20
 — restrictions to industry in, 20
 — population of, in 1801 and 1821, 141
 — — in 1831, 199
 — — in 1841, 253
 — — in 1851, 317
 — — in 1861, 407
 — — in 1871, 489
 — banking in, 282
 — potato disease in, 295
 — price of food in, 297
 — emigration from, 298
 Iron manufacture, history of, 10
 — Cort's invention of puddling, 10
 — speculation in, 310
 — prices of, 496
 — foreign duties on, in 1787, 1819, and 1825, 168
 Italy, treaty of, commerce with, 423
 — progress of commerce of, 516
 — exports to, 1840-1878, 562
 — treaty in force with, 566

- J**APAN, relation with, 334
 — treaty with, 390
 — relation of gold and silver in, 390
 — coinage of, 390
 — value of Mexican dollars in, 392
 — frauds on Japanese currency, 392
 — text of treaty of Oct. 3, 1855, 394
 — text of treaty of July 11, 1859, 395
 — progress of commerce of, 518
 — exports to, 1840-1878, 562
 — treaty in force with, 566
 Java, exports to, 1840-1878, 562
 Joiners, wages of, 507
 Joint Stock Banks, permission to establish within 65 miles of London, 159
 — — Committee on, 274
 — — amount of deposits, in 1835, 1840, 254
 — — — in 1840, 1845, 1850, 319
 — — — in 1850, 1855, 1860, 409
 — — — in 1860, 1865, 1870, 489
 — — — in 1870, 1875, 1878, 549
 — — Companies, in 1834-1836, 220
 — — law on, 337
 — — registration of, 339
 — — number of, 340
 — — law on, 348
 Jute manufactures, exports of, in 1828 and 1878, 533

MAD

- L**AND, income assessed from, in 184 to 1850, 318
 Leather estimated value of manufacture, 161
 — exports of, 1828 and 1878, 539
 Leeds, population of, in 1801 and 1821, 141
 — — 1831, 199
 — — 1841, 253
 — — 1851, 317
 — — 1861, 408
 — — 1871, 488
 Liberia, treaty in force with, 566
 Lucences, working of the system of, 109
 — number of, issued, 110
 Limited Liability, motion on, 344
 — Bills on, 345
 Linen manufacture, condition of in 1764, 9
 — wages in the, 506
 — exports of, 1828 and 1878, 539
 — See Tables of Exports
 Liverpool, state and population of, in 1763, 4
 — — 1801 and 1821, 141
 — — 1831, 199
 — — 1841, 253
 — — 1851, 317
 — — 1861, 408
 — — 1871, 488
 — Chamber of Commerce, establishment of, 334
 Loans, terms at which negotiated, 90
 — different modes of negotiating, 92
 — to foreign States, in 1822-1825, 186
 — 1828-1839, 221
 — 1870-1873, 496
 — 1871-1873, 497
 London, state of, in 1763, 4
 — population of, in 1801 and 1821, 141
 — — 1831, 199
 — — 1841, 253
 — — 1851, 317
 — — 1861, 408
 — — 1871, 488
 — and County Bank, 319, 409. See Joint Stock Banks
 — Joint Stock Banks, foundation of, 210 See Joint Stock Banks
 — and Westminster Bank, origin of, 209 See Joint Stock Banks
MACHINE-MAKERS, wages of, 566
 Machinery, exports of, 1828 to 1878, 539
 — See Tables of Exports
 — opposition to, 7
 — progress of, 535
 Madagascar, treaty in force with, 566

MAL

Malta, exports to, 1840-1878, 562
 Manchester, state of, in 1763, 4
 — population of, in 1801 and 1821, 141
 — — 1831, 199
 — — 1841, 253
 — — 1851, 317
 — — 1861, 408
 — — 1871, 488
 Masons, wages of, 507
 Masters and servants, relation of, 174
 — — law on, 505
 Mauritius, exports to, 1840-1878, 563
 Meat, prices of, in 1800, 1810 and 1820, 149
 Mercantile Law, Royal Commission on, 342
 Merchant Marine, state of, in 1770, 18
 Metric system of weights and measures, Associated Chambers of Commerce on, 441
 Methuen Treaty, 29
 Mexico, exports to, 1840-1878, 563
 Milan Decree, 108
 — — text of, 119
 Monetary convention, 477
 — standards in France, 97
 Money, law on the fabrication of, 99
 Monopoly, effects of, 238
 Morocco, progress of commerce in, 517
 — exports to, 1840-1878, 563
 — treaty in force with, 566
 Muscat, treaty in force with, 566

NATIONAL Debt, amount of, 1756, 3
 — — — 1760, 142
 — — — 1763, 3
 — — — 1820, 550
 — — history of, 83
 Navigation laws, nature of, 37
 — — operation of, 159
 — — clauses of, 160
 — — Mr. Huskisson on the, 163
 — — relations of, 165
 — — retaliatory policy caused by, 164
 — — and reciprocity treaties, 166
 — — suspension of, 300
 Netherlands *See* Holland
 Neutral rights, 102
 — — measures against, 28
 Neutrality, armed, 101
 — — declaration of, 46
 — laws, 376
 — duties of, 451
 — Foreign Enlistments Acts, 451
 Newcastle-on-Tyne, population of, 1801 and 1821, 141
 — — 1831, 199
 — — 1841, 253
 — — 1851, 317
 — — 1861, 408
 — — 1871, 488

FOR

New Grenada, exports to, 1840-1878, 563
 Nicaragua, treaty in force with, 566
 Norway, progress of commerce in, 513
 Northern Powers and armed neutrality, 101
 Nottingham, population of, in 1801 and 1821, 141
 — — 1831, 199
 — — 1841, 253
 — — 1851, 317
 — — 1861, 408
 — — 1871, 488

OPIUM TRADE, origin of, 241
 — — prohibition of in China, 242
 Orders in Council, 103
 — — 1806, 106
 — — 1807, 107
 — — opposition to the, 110
 — — address against the, 111
 — — texts of, 115
 Overend, Gurney, & Co., bankruptcy of, 464
 Owling, offence of, 22

PAINTERS, wages of, 507
 Par of Exchange, meaning of, 121
 Parnell, Sir Henry, on finance, 204
 Partnerships and Joint Stock Companies, law on, 337
 — with limited liability, 341
 — Laws, Associated Chambers of Commerce on, 438
 Paternal Government, principles of, 22
 Patent Law, policy of, 347
 Patents, number of, 350
 Peel, Robert, patent of, 6
 Peel's, Sir Robert, commercial policy, 259
 — — — financial administration, 263
 — — — on banking laws, 278
 Penny postage, introduction of, 250
 — — effects of, 251
 Persia, progress of commerce of, 517
 — treaty in force with, 566
 Peru, exports to, 1840-1878, 563
 — treaty in force with, 566
 Petroleum, production of, 534
 Pitt, administration of, 51
 — new administration of, 102
 Plasterers, wages of, 507
 Plumbers, wages of, 507
 Political economy, rise of, 23
 — — Italian writers on, 24
 — — French writers on, 25
 Population of the United Kingdom.
 See separate portions of
 — and wealth of England, 558
 Portugal, state of industry in, 29

POR

- Portugal, progress of commerce of, 515
 - exports to, 1840-1878, 562
 - treaty in force with, 566
- Postal organisation in 1764, 18
 - reforms, introduction of, 249
 - communication, Associated Chambers of Commerce on, 440
- Pound sterling, coining of, 136
 - grains of gold in the, 136
 - what is a, 278
- Prices of produce in 1824, 1825, 1826, 185
 - effects of war on, 120
 - course of, 1836-37, 252
 - See Graphic Table
- Privateering, abolition of, 375
- Professions and trades, income assessed from, 1843 to 1850, 318
 - See Income and Property Tax
- Progress of British commerce, table of, 1820, 1825, 1830, 202
 - — — 1830, 1835, 1840, 255
 - — — 1840, 1845, 1850, 320
 - — — 1850, 1855, 1860, 413
 - — — 1860, 1865, 1870, 493
 - — — 1870, 1875, 1878, 552
- Property, rateable value of in 1780, 61
 - amount of, assessed to Income Tax, 94
 - subject to legacy duty in 1814 and 1824, 149
- Protective duties, evil effects of, 154
- Protection, petition against, 22
- Prussia, trade of, in the time of Frederick II, 27
 - exports to, 1840-1878, 562

RAILWAYS, first introduction of, 191

- success of, 193
- economy of, 193
- legislation on, 194
- Railway enterprise, increase of, 302
 - investments in, 302
 - speculation in, 303
 - extension of, 304
 - goods fare in 1836, 1842, and 1879, 305
 - traffic of, 307
 - savings of time by, 306
- Receipt stamps, reduction of, 370
- Reciprocity, treaties on shipping, 166
- Reciprocity *versus* Free Trade, 268
- Reserve, relation of rate of discount to the, 467
- Revenue and expenditure, amount of, in 1764-1775, 35
 - in 1776-1783, 49
 - in 1784-1792, 63
 - in 1793-1820, 145

SHI

- Revenue and expenditure, amount of, in 1821-1840, 256
 - in 1841-1860, 411
 - in 1861-1879, 557
- Revolution, effect of, on trade, 316
- Roumania, treaty in force with, 566
- Rule of 1756, 103
- Russia, early trade with, 28
 - declaration of armed neutrality by, 47
 - commercial treaty with, 80
 - declaration of war against, 372
 - progress of commerce in, 512
 - exports to, 1840-1878, 562
 - treaty in force with, 564
- Russian war, causes of, 371
 - effect on finance, 370
 - cost of, 411

SALT, exports of, in 1828 and 1878, 539

- Salt duty, operation of, 365
- Salvador, treaty in force with, 566
- Sandwich Islands, treaty in force with, 566
- Savings Banks, foundation of, 201
 - capital of, 253
 - in 1820, 142
 - in 1860, 409
 - in 1870, 490
 - in 1878, 550
- Science, progress of, 142
- Scientific Societies, foundation of, 201
 - economic value of, 554
- Scotland, banking in, 282
 - progress of banking in, 286
 - cash credit system in, 287
- population of, in 1801 and 1821, 141
 - in 1831, 199
 - in 1841, 253
 - in 1851, 317
 - in 1861, 407
 - in 1871, 489
 - population and wealth of, 559
- Seamen, wages of able, 507
- Servia, treaty in force with, 566
- Seven Years' War, cost of, 3
- Shares in mining, prices of, 185
- Sheffield, population of, in 1801 and 1821, 141
 - in 1831, 199
 - in 1841, 253
 - in 1851, 317
 - in 1861, 408
 - in 1871, 488
- Shipping belonging to Great Britain, in 1763-1775, 37
 - in 1776-1782, 50
 - in 1783-1792, 64

SHI

- Shipping belonging to Great Britain,
in 1793-1820, 146
- — — in 1821-1840, 256
- — — in 1841-1860, 412
- — — in 1861-1878, 557
- abolition of local charges on, 424
- entered and cleared, in 1780-1792,
64
- — — in 1820-1830, 202
- — — in 1830-1840, 255
- — — in 1840-1850, 320
- — — in 1850-1860, 413
- — — in 1860-1870, 493
- — — in 1870-1878, 552
- Laws, Associated Chambers of Com-
merce on, 438
- Shipbuilding, progress of, 536
- Siam, relations with, 393
- treaty in force with, 566
- Silk factories, number of, 1850 and
1861, 410
- — in 1870, 490
- — in 1878, 551
- manufacture, history of, 8
- — effect of prohibition on, 166
- — relaxation of prohibition on, 167
- — duties on foreign, 1787, 1819 and
1825, 168
- — duties on, 369
- — exports of, in 1828 and 1878,
339
- weavers, wages of, 150
- Silver, supposed fall in the price of,
22
- production of, 330
- value of, in relation to gold, 330
- prices of, 549
- Singapore, exports to, 1840-1878, 562
- Sinking fund, creation of, 88
- — fallacies of, 203
- Slave trade, introduction of, 32
- — Committee of inquiry on, 32
- — Committee on, 58
- Slavery, abolition of, 182
- Smith, Adam, life of, 23
- — and free trade, 153
- Soap duty, 368
- exports of, in 1828 and 1878, 539
- Sound dues, treaty for the abolition of,
424
- Spain, state of, 28
- progress of commerce of, 514
- exports to, 1840-1878, 562
- treaty in force with, 567
- Stade dues, treaty for the abolition of,
427
- Steam power, history of the use of, 11
- navigation, introduction of, 195
- Steel, Mr. Bessemer's patent on, 410
- production of, 537
- prices of, 533

TIN

- Stephenson's locomotive for railways,
191
- Stock exchange, foundation of, 5
- Strikes, number of, 503
- results of, 504
- Royal Commission on, 505
- Suez Canal, proposal of, 482
- M. Lesseps on the, 482
- success of, 485
- purchase of shares in, 486
- cost of shares in the, 550
- Sugar, beetroot, introduced, 108
- consumption of, in 1820, 161
- duties, equalisation of, 246
- — effect of slavery on, 248
- — negotiations respecting, 524
- — in France, 526
- — in Belgium, 526
- — in Holland, 526
- — in the United Kingdom, 526
- Sweden and Norway, early trade with,
28
- progress of commerce in, 513
- exports to, 1840-1878, 562
- treaty in force with, 567
- Switzerland, progress of commerce of,
516
- treaty in force with, 567

- TALLIES, meaning of, 84
- Tariffs, of 1787, 1819 and 1825,
168
- Tariff reforms, Mr Gladstone on, 369
- foreign, comparison of, 433
- Taxation and representation, principles
of, 41
- Taxes, reduced or repealed, in 1823,
1824, 1825, 1826, 172
- on raw materials, effects of, 204
- on British manufacture, effects of,
204
- on luxuries, effects of, 205
- reduced or repealed, in 1841-1846,
264
- Tea, introduction of, 239
- import duty on, 240
- price of, 240
- duty on, 52
- — reduction of, 368
- Technical instruction, need of, 337
- — Associated Chambers of Com-
merce on, 441
- Telegraph, introduction of, 196
- submarine, 197
- communication, Associated Cham-
bers of Commerce on, 440
- Timber duties, operation of, 170
- — reduction of, 206
- Tin, exports of, in 1828 and 1878, 539

THO

- Thomson, Poulett, on free trade, 171
 Tontine, origin of, 85
 Trade, state of, in 1810, 126
 — amount of, in 1820, 151
 — of the United Kingdom, in 1855 and 1860, 408
 — with India and China, the Associated Chambers of Commerce on, 436
 — revival and depression of, 494
 Trade-marks, law of, 353
 — unions, principles of, 504
 Travelling, mode of, in 1766, 17
 Treaty of commerce with France, 62
 — — text of, 428
 — — denunciation of, 523
 Treaties of commerce with France, 417
 — report upon, 418
 — Mr. Gladstone on, 419
 — with Belgium, 422
 — with the Zollverein, 422
 — with Italy, 423
 — with Austria, 423
 — of commerce with Russia, 200
 — — with Holland, 200
 — — with the United States, 200
 — — negotiation for, with Spain, 423
 — — — with Portugal, 423
 — — the Associated Chambers of Commerce on, 434
 — in force in July 1879, 565
 Truck system, evils of, 180
 Tunis, treaty in force with, 567
 Turgot, economical reforms of, 30
 Turkey, trade with, 30
 — war of Russia against, 372
 — progress of commerce of, 517
 — exports to, 1840-1878, 562
 — treaties in force with, 567

UNION BANK of London. *See* Joint Stock Banks.

- United Kingdom, population of, in
 1801-1821, 141
 — — — in 1831, 199
 — — — in 1841, 253
 — — — in 1851, 317
 — — — in 1861, 407
 — — — in 1871, 489
 — — trade of, in 1821-1840, 272
 United States of America, formation of, 43
 — — war with, 44
 — — negotiations of, with France, 45
 — — extension of trade with the, 56
 — — trade of, with West Indies, 57
 — — protests against invasion of neutral rights, 79
 — — progress of, 80

WHE

- United States of America, commercial
 crises, in 1837, 222
 — — banking in the, 226
 — — currency in the, 227
 — — finances of, 445
 — — expenditure caused by the civil war in, 445
 — — fall in the value of the currencies in, 445
 — — progress of commerce of the, 518
 — — civil war in, 442
 — — tariff disputes in the, 443
 — — election of Abraham Lincoln as president in the, 444
 — — rebellion in the, 445
 — — effects of, on British commerce, 446
 — — commercial crises in, 401
 — — exports to, 1840-1878, 563
 — — treaties in force with, 567
 Uruguay, exports to, 1840-1878, 563
 Usury laws, 361
 — — abolition of, 363

VENICE, early trade of, 81
 Venezuela, exports to, 1840-1878, 563
 — treaty in force with, 567

- W**AGES in 1800, 1810, 1820, 149
 — in the cotton manufacture, 506
 — woollen manufacture, 506
 — linen manufacture, 506
 — earthenware, 506
 — of machine makers, 506
 — of agricultural labourers, 507
 — of builders, 507
 — of able seamen, 507
 War against Russia, effects of, 372
 — abandonment of, 373
 Warehousing system, Mr Wallace on, 157
 Washington, the treaty of, 453
 — text of Art VI of, 454
 Wealth, progress of, 553
 — beneficial uses of, 554
 Weavers, wages of, in 1802, 1806, 1808, and 1817, 150
 Wedgwood, earthenware manufactured by, 10
 Weights and measures, Law of, 359
 — — standards of, 359
 — — international, 416
 West India colonies, state of, 31
 Western Bank of Scotland, suspension of, 402
 Wheat, average price of, in 1763-1779, 36

WHE

Wheat, average price of, in 1783-1792,
64
— — — in 1793-1820, 146
— — — in 1821-1840, 256
— — — in 1841-1860, 412
— — — in 1861-1878, 557
Wine duties, alteration of, 206
Wool, consumption per head in 1801
and 1821, 142
Woollen manufacture, history of, 8
— estimated value of manufacture in
1783, 61
— — effect of protection on, 168
— — wages in the, 506

ZAN

Woollen, estimated exports of, 1828
and 1878, 539
— — duties on, in 1787, 1819, and
1825, 168
— — *See* Tables of Exports
— factories, number and spindles, 210
— — in 1870, 490
Worsted factories, number and spindles,
410
— — in 1870, 490
Work and wages, 508
ZANZIBAR, treaty in force with,
567